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This is the first issue of a two-monthly review.

On this occasion the Review presents a full-length general survey of the economic situation.

Later issues will contain a short general survey followed by special articles on  
topical economic problems and studies of underlying trends.

# CONTENTS

	Page
SUMMARY .. .. .	3
THE ECONOMIC SITUATION AND PROSPECTS .. .. .	4
Chapter 1 : The British economy at the turn of the year .. .. .	4
Demand declines—The effect on the volume of imports—The effect on the balance of payments—The effect on output .. .. .	13
Chapter 2 : International trends .. .. .	13
British exports decline—Primary producing countries—Hesitation in Europe—The recovery in the United States—Prospects for British exports .. .. .	18
Chapter 3 : The outlook in Britain .. .. .	18
Wages, profits and prices—Personal incomes and consumers' expenditure—Fixed investment—Stocks—Government expenditure—The general outlook—Conclusion .. .. .	32
THREE NEW PRICE INDICES .. .. .	32
IMPORTS AND STOCKS .. .. .	36
STATISTICAL APPENDIX .. .. .	39
STATISTICAL APPENDIX : DEFINITIONS AND EXPLANATIONS .. .. .	51

## TEXT TABLES<sup>(1)</sup>

Table 1. Causes of expansion and recession, 1953 to 1958 .. .. .	4
2. Imports and apparent consumption of imports .. .. .	6
3. Sterling area balance of payments with non-sterling countries .. .. .	7
4. Percentage changes in output, employment and productivity .. .. .	8
5. Production and use of steel .. .. .	9
6. Fixed capital and output in manufacturing .. .. .	9
7. Employment in Great Britain .. .. .	12
8. U.K. exports by area .. .. .	14
9. Visible trade and reserves of primary producing countries .. .. .	15
10. Exports to primary producing countries .. .. .	15
11. Changes in wage rates .. .. .	18
12. Costs and final prices .. .. .	19
13. Hire purchase controls and purchase tax on durable consumer goods .. .. .	21
14. Commodities and weights used in the current price indices .. .. .	35
15. Change in imports and stock-building .. .. .	37
16. Commodities included in estimates of stock changes .. .. .	38
17. Volume of imports, stock change, and consumption of imports : selected commodities .. .. .	38

<sup>(1)</sup> The tables in the Statistical Appendix are listed on page 39

## CHARTS

Chart 1. Changes in expenditure, output and imports .. .. .	5
2. Industrial countries : industrial production, import volume .. .. .	13
3. Spending and saving .. .. .	20
4. Spending on durables .. .. .	22
5. Investment : public and private .. .. .	24
6. Investment by industry .. .. .	24
7. Housing .. .. .	24
8. National Institute and Board of Trade import price series .. .. .	34



# SUMMARY

## *The end-year position*

Britain is—in our view—beginning to emerge from a slight recession, brought about mainly by reduced stock-building and by a fall in exports. Exports may now have reached bottom, easier hire purchase has stimulated sales of durable consumer goods, and stock changes are unlikely to push production down further. Industrial production is now no higher than in 1955, and there is enough unused capacity and labour to permit a rise of 10 to 15 per cent in two years.

The balance of payments surplus was exceptionally big in 1958, both because stocks of imports were reduced and because commodity prices had fallen. These changes worsened the overseas sterling area's balance. The reserves rose mainly because of an inflow of capital—much of it a return of short-term funds.

## *The world picture*

In most industrial countries the growth of demand and production faltered in 1957 or 1958; world commodity prices fell and primary producing countries, though helped by aid and loans, had to cut their imports. Consequently British exports fell, first to industrial countries (except the U.S.A.) and then to primary producers.

So long as the supply of aid and loans is maintained, primary producing countries' imports should not fall much further. But they are unlikely to rise much until renewed expansion in Europe, reinforcing the recovery in the United States, raises demand for primary commodities: there are few signs of this at present.

The prospect, therefore, for British exports—of which three-fifths go to the primary producing countries—is for a small recovery only.

## *Prospect for 1959*

If no further Government measures were introduced, demand would, in our view, recover gradually, but the change would be slight. Neither incomes nor prices are expected to rise much: consequently, though consumers' expenditure on durables should continue to be higher, purchases of other goods and services may rise little. A fall in private investment is expected; this should be offset by the rise in public investment and in Government current expenditure. Exports may rise gradually and the fall in stocks may soon be reversed.

These small changes would be unlikely to raise output much above the 1957 level. Employment would probably rise less than production. Imports would probably rise more than exports, and bring the current balance of payments surplus back to about £200-£300 million.

## *Government action*

Government measures to raise demand would probably not have much effect on prices; there is sufficient scope for higher productivity to prevent a rise in costs per unit. They would, to some extent, worsen the current balance of payments. Economic re-expansion has to begin in the industrial countries, and in the early stages they are bound to lose foreign exchange reserves to primary producing countries. Britain's loss, however, would partly be the overseas sterling area's gain; and there might be little change in the whole sterling area's balance with the rest of the world.

The move to convertibility should not have much direct effect on the balance of payments; but it may cause the authorities to be hesitant about expansion.

If the Government decides to raise demand, the quickest way is to raise consumer demand. That would indirectly encourage investment; appropriate tax concessions could also help to moderate wage increases. Little can be done directly to raise private investment or exports immediately. But there are still opportunities for more social investment (hospitals, education, etc.) and for publicly controlled investment in basic industries, so that in the future expansion is not hindered, for example, by inadequate roads or by shortages of power or steel.

8 January 1959

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# THE ECONOMIC SITUATION AND PROSPECTS

## CHAPTER 1 : THE BRITISH ECONOMY AT THE TURN OF THE YEAR

In 1958, for the second time since the war, Britain experienced a slight decline in demand and production. During the year the Government, whose policies for three years had aimed at checking demand so as to stop inflation, began to take steps to re-expand demand. These measures are still taking effect.

The purpose of this Review is to analyse the effects of the decline in demand on the economy, and to assess the prospects and problems of recovery.

The first chapter describes the state of the economy at the end of 1958, with particular reference to the state of industry. Chapter 2 analyses the decline in demand abroad and discusses the prospects for British exports. Chapter 3 discusses the prospects in this country, dealing in turn with wages and prices, consumption and investment, production and employment, and the balance of payments. The conclusions of the Review are presented in a final section of that chapter.

### Demand declines

The decline in demand and production in 1958 needs to be seen in perspective. The only previous decline since the war occurred in 1952, after the Korean boom. Thereafter demand, strongly stimulated by the Government's policies of expansion, rose rapidly for three years. By 1955, however, there were increasing symptoms of inflation and Government policy, after some hesitation, was directed to checking demand. There may have been a natural tendency for the boom gradually to spend itself. Nevertheless the economy reacted slowly and the Government's measures were progressively reinforced until 1958.

Total demand and production did not fall absolutely until early 1958. But from 1955 onward the rate of growth was slow. The growth of consumers' real expenditure was checked at the end of 1955, following the re-introduction of hire purchase restrictions and the increase in purchase tax in the autumn of 1955. Consumers' expenditure revived in 1957, but by then the growth of exports had stopped as a result of the slackening in demand in other countries.

By the beginning of 1958 exports had fallen. Then the rise in consumers' expenditure and in fixed investment came to an end and investment in stocks progressively declined until it gave way to a fall in stocks in the third quarter of the year. Hence the momentum of expansion was lost in all the principal items of demand and, primarily because of the reversal of stock-building, total demand declined.

These movements are traced in chart 1 and table 1 which give figures, corrected for seasonal variations, up to the third quarter of 1958, the last period for which estimates of national expenditure can be made.

**Table 1. Causes of expansion and recession, 1953 to 1958**

*£ million at 1954 factor cost at annual rates*

	1953 to 1955	1955 to 1957	1957 to 3rd qtr. 1958 <sup>(a)</sup>
<i>Changes in:</i>			
Exports of goods and services .. .. .	+254	+126	-130
Fixed investment ..	+160	+118	+50
Consumers' expenditure	+408	+148	+132
Government expenditure	-30	-34	+10
Investment in stocks ..	+76	+56	-430
<b>Total expenditure ..</b>	<b>+868</b>	<b>+414</b>	<b>-368</b>
<i>Met by:</i>			
Imports of goods and services .. .. .	+274	+130	-5
Gross domestic product	+654	+178	-275
<i>Statistical discrepancy<sup>(b)</sup></i>	<i>-60</i>	<i>+106</i>	<i>-88</i>

Source : Appendix table 1. Estimates for the 3rd quarter are provisional.

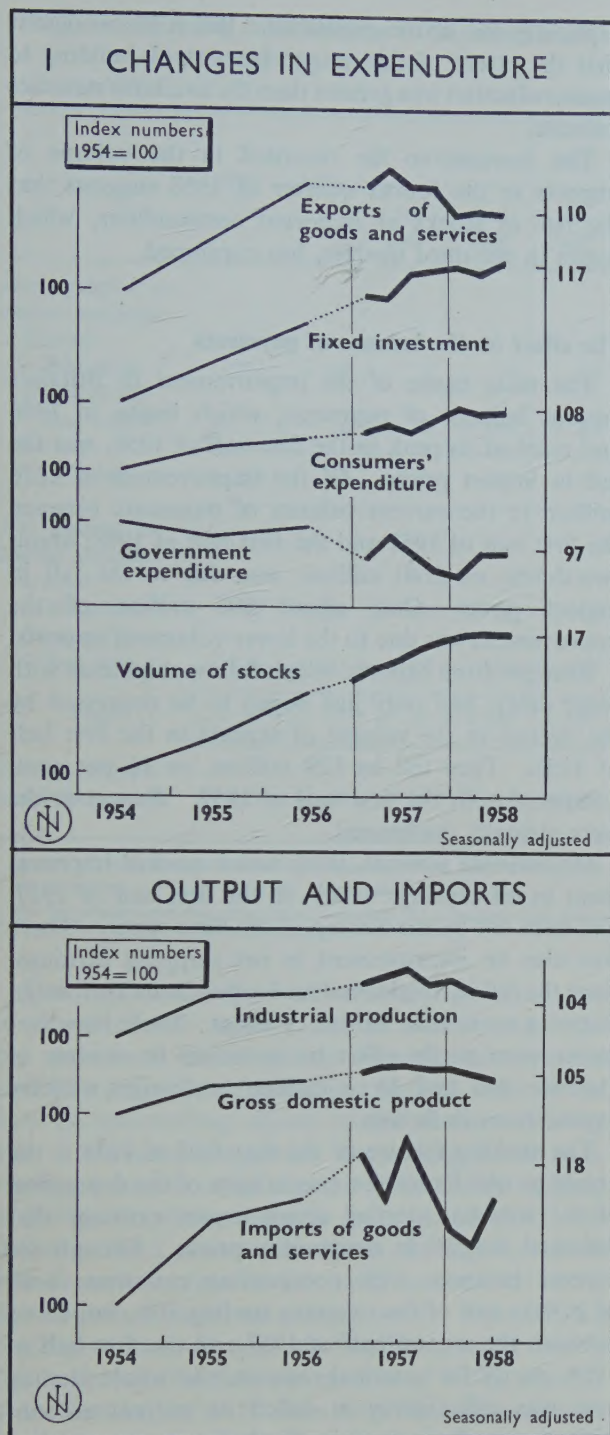
(a) Seasonally corrected.

(b) The estimates of total expenditure can never be precisely reconciled with the data on production and imports.

Since the third quarter, consumers' spending on durable goods has risen, following the removal of hire purchase restrictions, and exports have risen again. Disinvestment in stocks may not have been intensified, and the decline in total demand may have ceased by the end of the year.

The check to demand in Britain was part of a general slackening in demand in the world (except in the Soviet Union, Eastern Europe and China), which was accompanied by a sharp fall in world prices of raw materials and foodstuffs. These developments at home and abroad have had three main effects on the British economy. First, production and employment have fallen, and, since capacity has been increasing, British industry has been working with an increasing margin of spare capacity. Second, the fall in import prices, together with the decline in demand, has caused a big improvement in the balance of payments. Third, prices at home have been more stable.





Sources: Appendix tables 1 and 2, and National Income Blue Book.

The behaviour of prices is analysed in chapter 3, pages 18 to 19. The following paragraphs examine trends in imports and the balance of payments and in production, employment and the utilization of capacity.

#### The effect on the volume of imports

As is evident from table 1, the decline in demand in 1958 resulted mainly in a fall in domestic production.

Nevertheless, during part of the year the reversal of stock-building of imported commodities caused a decline in the volume of imports.

After rising by 13 per cent between 1953 and 1955, the volume of imports rose by only 3 per cent in the period between 1955 and 1957, when the rate of increase in the general level of demand slowed down, and then fell slightly during most of 1958. In each of the first three quarters of 1958, the volume of imports (after adjustment for the dock strikes) was running very slightly below its peak in the first half of 1957. The figures for October and November 1958 suggest that there was then an increase in volume of about 3 per cent compared with the first nine months of the year.

#### Stock-building declines

The slight fall in imports during most of 1958 appears to have been entirely due to changes in stock-building. By methods explained in the article on page 36, estimates can be made of changes in stocks and in apparent consumption of most commodities which are mainly imported. During 1957, stocks of these commodities (which exclude coal and steel) were rising continuously. In the first quarter of 1958 they began to fall, probably partly in reaction to the increase in Bank Rate to 7 per cent in the autumn of 1957. The decline continued in the second quarter, but that must have been due largely to the dock strike in May and June. In the third quarter the decline was reversed. Over the first nine months of 1958, stocks fell by £41 million (at constant 1954 prices), whereas they had risen in the first nine months of 1957 by £77 million. The turn-round of £118 million from stock-building to stock-reduction would alone cause a reduction of just over 4 per cent in the volume of imports. Actual imports fell by less than this because consumption of imports has increased, despite the fall in total demand and production.

#### No fall in import consumption

A tendency for the consumption of imports to rise faster than the general level of activity has been a feature of the period since 1953.<sup>(1)</sup> Estimates of apparent consumption of imports, after allowance for the estimated changes in stock-building, are given in table 2. The increase in apparent consumption of imports in the first three quarters of 1958, as compared with a year earlier, was chiefly due to a rise of more than 7 per cent in consumption of imported food. Meanwhile, consumers' expenditure on food rose only 2 per cent in volume. Other

<sup>(1)</sup>A more detailed analysis of this trend will appear in an early number of this Review.



important factors were an increase in petroleum deliveries and a continuing rise in the volume of imports of finished manufactures. Petroleum deliveries were 20 per cent higher in the first half of 1958 than a year earlier (when they were restricted by rationing) and 10 per cent higher than in the corresponding period two years earlier.

**Table 2. Imports and apparent consumption of imports**

*Index numbers of volume, 1954 = 100*

	1956	1957		1958	
		1st half	2nd half	1st half	3rd qtr.
<i>Imports</i>					
Food and tobacco ..	109	117	110	116	118
Basic materials ..	102	108	104	94	90
Fuels ..	115	109	118	115	128
Semi-manufactures ..	121	119	125	119	118
Finished manufactures ..	136	157	147	159	169
Total ..	111	116	114	112	113 <sup>(a)</sup>
<i>Apparent consumption<sup>(b)</sup></i>					
Food and tobacco ..	108	111	111	118	120
Basic materials ..	103	107	99	98	84
Fuels ..	120	102	113	126	135
Semi-manufactures ..	124	118	118	113	113
Total ..	111	113	110	114	112

Source : Appendix table 11 and Board of Trade Journal.

(a) The October/November figure is 116.

(b) Apparent consumption equals total imports less estimated stock change of the commodities listed on page 38.

On the other hand, apparent consumption by industry of imported basic materials in the first three quarters of 1958 was reduced by 10 per cent and of semi-manufactures (non-ferrous metals, paper, etc.) by 4 per cent compared with a year earlier. These falls were significantly greater than the 1 per cent fall in industrial production over the same period. This was partly because production fell most in the industries whose products have a high import content,

especially the textile industries. But it also suggests that the extent of the change from stock-building to stock-reduction was greater than the available statistics indicate.

The increase so far recorded in the volume of imports in the fourth quarter of 1958 suggests that the rise in stocks of imported commodities, which began in the third quarter, has continued.

### The effect on the balance of payments

The main cause of the improvement in Britain's current balance of payments, which began in 1956 and reached its peak in the first half of 1958, was the fall in import prices. Of the improvement of £216 million in the current balance of payments between the first half of 1957 and the first half of 1958, about two-thirds, or £140 million, was due to the fall in import prices. Only about £50 million of the improvement was due to the lower volume of imports.

Receipts from exports, which follow shipments with some delay, had only just begun to be depressed by the decline in the volume of exports in the first half of 1958. They fell by £29 million, or 1½ per cent, compared with the first half of 1957. Export prices were virtually unchanged.

On invisible account, there was a marked improvement in oil earnings which, in the first half of 1957, had been cut by the closing of the Suez canal. There was also an improvement in net shipping earnings, since the fall in freights reduced expenditure on foreign shipping more than British earnings. These improvements were partly offset by a decline in receipts of Defence Aid and by a decline in foreign military expenditures in Britain.

The striking feature of the first half of 1958 is the extent to which reserves rose in spite of the depression of the overseas sterling area's export earnings that followed the fall in commodity prices. Though the current balances with non-sterling countries, both of Britain and of the overseas sterling area, improved between the second half of 1957 and the first half of 1958, partly for seasonal reasons, the whole sterling area was still slightly in deficit on current account with non-sterling countries (including as non-sterling earnings gold sales by the overseas sterling area to Britain). Nevertheless the reserves rose by £287 million. If a comparison is made between the first half of 1957 and the first half of 1958, so as to avoid seasonal disturbances, the current balance of the whole sterling area with non-sterling countries was nearly £50 million worse in the first half of 1958, whereas the movement of the reserves was £200 million better. The explanation, as is shown in table 3, lies in the substantial increase that occurred in the inflow of capital from non-sterling countries.



**Table 3. Sterling area balance of payments with non-sterling countries**

	£ million				
	1955	1956	1957		1958
			1st half	2nd half	1st half
<i>Surplus/deficit on current account:</i>					
United Kingdom	-287	- 48	+ 6	- 94	+ 55
Overseas sterling area <sup>(a)</sup>	+ 7	- 2	+ 31	-165	- 65
Total ..	-280	- 50	+ 37	-259	- 10
<i>Net balance on capital account:</i>					
United Kingdom <sup>(b)</sup>	- 85	-106	- 69	+ 82	+113
Overseas sterling area..	+136	+161	+120	+139	+184
Total ..	+ 51	+ 55	+ 51	+221	+297
<i>Change in gold and dollar reserves</i>	-229	+ 5	+ 88	- 38	+287

Source : *United Kingdom Balance of Payments*, Cmnd. 540, October 1958.

(a) Including net sales of gold in the United Kingdom.

(b) Investment and financing items, including the balancing item (items 13 to 19 in the official balance of payments estimates).

This increased inflow of non-sterling capital was made up of two entirely distinct constituents. On the one hand, there was an increase of over £60 million, compared with the first half of 1957, in the flow of non-sterling capital to the overseas sterling area: increased long-term borrowing from non-sterling countries and from the I.B.R.D. outweighed a decline in disbursements from the I.M.F. On the other hand, short-term capital, the flight of which had caused a crisis in the early autumn of 1957, flowed into Britain on a large scale. Non-sterling countries increased their sterling balances by nearly £80 million in the first six months of 1958, whereas in the first half of 1957 these were virtually constant. Moreover, the balancing item in the balance of payments estimates, which tends to reflect unrecorded capital movements, changed from minus £70 million in the first half of 1957 to zero, and there were also net gains in other minor capital items.

#### *The balance of payments in the second half of 1958*

The favourable combination of circumstances which produced a current surplus of £334 million in the first half of 1958 changed in the second half. Import figures up to November 1958 suggest that the f.o.b. value of imports in the balance of payments for the

second half of the year was perhaps £75 million greater than in the first half, as a result of the increase in the volume of imports since the summer. Import prices have been virtually constant since the beginning of 1958, and the National Institute index of current import prices (described in an article on page 32) indicates that, at the end of the year and in the first two or three months of 1959, stability or a slight rise in the price of imports arriving in this country can be expected.

While the value of imports has risen, the value of exports, adjusted for seasonal movements and for dock strikes, has fallen further. Although a decline of 3 per cent in the third quarter (after adjustment) was followed by a more than seasonal recovery in the value of shipments in October and November, receipts from exports in the second half of the year may have been up to £50 million less than in the first half. In addition, the resumed end-year interest payments on the U.S. and Canadian loans added nearly £40 million to payments; net expenditure on travel is normally higher in the second half of the year than in the first; and there may have been some reduction in net shipping earnings. No special reason is known for significant changes in other items on the current account, but some of these are subject to large variations. At present it appears that the likely outcome was a decline of about £150-£200 million between the first and second halves of 1958, which (apart from any revision which may yet be made to the estimates for the first half-year) would have reduced the surplus in the second half to about £150 million. This would have been more than the normal seasonal decline and would have reduced the surplus to somewhere near the same figure as that in the second half of 1957 (£154 million).

There is virtually no information yet on the balance of payments of the overseas sterling area in the second half of the year. For seasonal reasons, the deficit of the overseas sterling area with non-sterling countries is normally greater in the second half of the year than in the first. However, the continued, though much more gradual, increase in the reserves (apart from the cost of the dollar loan service) indicates that the whole sterling area's current deficit must again have been more than offset by inflows of non-sterling capital. Non-sterling countries increased their sterling balances by a further £39 million in the third quarter. The inflow of short-term funds, however, was probably smaller than in early 1958. The prospects for the balance of payments are discussed on page 29.

#### **The effect on output**

In the autumn of 1958 national output had fallen back almost to the average level it had reached in



Table 4. Percentage changes in output, employment and productivity

Seasonally corrected

	Average 1955 to 3rd qtr. 1957			3rd qtr. 1957 to 2nd qtr. 1958			Average 1955 to 2nd qtr. 1958		
	O	E	P	O	E	P	O	E	P
Metals .. .. .	+ 4.9	+ 1.8	+ 3.0	- 9.8	- 3.2	- 6.8	- 5.4	- 1.5	- 4.0
Engineering .. .. .	+ 5.7	+ 3.3	+ 2.3	- 3.9	- 1.5	- 2.4	+ 1.6	+ 1.8	- 0.2
Vehicles .. .. .	+ 3.1	+ 0.3	+ 2.9	+ 0.8	+ 0.6	+ 0.2	+ 3.9	+ 0.9	+ 3.1
Textiles .. .. .	- 0.9	- 2.9	+ 2.1	-11.7	- 6.1	- 6.0	-12.5	- 8.8	- 4.1
Clothing.. .. .	+ 3.1	- 0.1	+ 3.2	- 7.8	- 3.6	- 4.4	- 4.9	- 3.7	- 1.3
Food, drink and tobacco .. .. .	+ 4.3	+ 0.8	+ 3.5	+ 4.2	+ 1.2	+ 3.0	+ 8.7	+ 2.0	+ 6.6
Wood products.. .. .	- 4.6	- 4.3	- 0.2	- 2.9	- 3.7	+ 0.8	- 7.4	- 7.9	+ 0.6
Paper and printing .. .. .	+ 1.9	+ 4.2	- 2.2	+ 1.5	+ 0.7	+ 0.8	+ 3.4	+ 5.0	- 1.4
Chemicals .. .. .	+ 9.0	+ 2.6	+ 6.2	- 1.3	- 0.8	- 0.6	+ 7.5	+ 1.8	+ 5.7
Building materials etc. .. .. .	- 5.9	- 3.0	- 3.0	+ 0.4	- 3.9	+ 4.4	- 5.5	- 6.7	+ 1.3
<b>Total manufacturing .. .. .</b>	<b>+ 3.2</b>	<b>+ 0.8</b>	<b>+ 2.4</b>	<b>- 3.3</b>	<b>- 1.7</b>	<b>- 1.7</b>	<b>- 0.2</b>	<b>- 0.9</b>	<b>+ 0.7</b>
Building and contracting .. .. .	+ 3.1	+ 1.8	+ 1.3	+ 2.2	- 1.5	+ 3.8	+ 5.4	+ 0.2	+ 5.2
Mining and quarrying .. .. .	- 2.0	+ 0.7	- 2.7	- 2.9	- 1.1	- 1.8	- 4.8	- 0.4	- 4.4
Gas, water and electricity .. .. .	+ 6.5	+ 0.2	+ 6.2	+ 3.9	+ 0.1	+ 3.8	+10.6	+ 0.3	+10.3
<b>Total industry .. .. .</b>	<b>+ 3.0</b>	<b>+ 1.0</b>	<b>+ 2.0</b>	<b>- 2.3</b>	<b>- 1.6</b>	<b>- 0.8</b>	<b>+ 0.7</b>	<b>- 0.6</b>	<b>+ 1.3</b>
Agriculture, distribution, etc. .. .. .	+ 2.0	+ 1.7	+ 0.3	+ 0.4	+ 0.2	+ 0.2	+ 2.4	+ 1.9	+ 0.5
<b>Total economy .. .. .</b>	<b>+ 2.4</b>	<b>+ 1.3</b>	<b>+ 1.1</b>	<b>- 1.1</b>	<b>- 0.7</b>	<b>- 0.5</b>	<b>+ 1.3</b>	<b>+ 0.6</b>	<b>+ 0.6</b>

Note : O = Output, E = Employment, P = Output per man year.

Sources : Appendix table 1, Monthly Digest of Statistics, and Ministry of Labour Gazette, with adjustments.

1955. The slight increase from 1955 to the third quarter of 1957 was cancelled out in the ensuing twelve months. Manufacturing output was reduced by the fall in exports and by the reversal of stock-building. In services and other non-industrial sectors, output still rose very gradually after the third quarter of 1957. In October and November the industrial production index is provisionally estimated to have levelled out or perhaps recovered slightly.

#### Variety of experience in industry

Taking as a starting point average output in 1955, most industries, by the third quarter of 1957, could show very modest increases in output (table 4). Only in engineering, chemicals, and gas, water and electricity did the increase in the period exceed 5 per cent. The industries in which production actually fell in this period (textiles, wood products, building materials, and mining and quarrying), are ones which were facing an adverse long term change in demand for some or all of their products.

In the following period, from the third quarter of 1957 to the second quarter of 1958 output in the metals and clothing industries fell sharply, much more than cancelling out the previous rise from 1955 to 1957. Here, the fall in final demand was powerfully

reinforced by stock reductions. Output in engineering and chemicals fell back, but not to the 1955 level. In the vehicles industry, the rise in output continued, but more slowly. Apart from building materials, each of the industries where output had fallen in the earlier period showed a further decline, which was especially sharp in the textiles industry. The industries whose output continued to grow steadily were food, drink and tobacco, paper and printing, building and contracting, and gas, water and electricity.

At the end of 1958 three basic industries, each with a heavy investment programme, were in serious difficulties : coal-mining, steel and the railways. Consumption of coal fell by five million tons in 1957 and by a further ten million tons in 1958 ; the latter fall was due both to reduced demand for energy and to increased use of oil.<sup>(1)</sup> Exports of coal have fallen but the effect on production has been offset by a fall in imports. As coal output was kept steady until late 1957, stocks began to accumulate and, despite subsequent cuts in production, they continued to grow.

<sup>(1)</sup>The Coal Board stated on January 6th, 1959 that oil consumption where coal could be used rose by an amount equivalent to about 9 million tons of coal between 1956 and 1958. Owing to the Suez crisis, the change took place almost entirely in 1958.



Producers' stocks, at 20 million tons on December 27th have doubled in a year and further cuts in output are to take place in 1959.

Consumption of steel rose until late 1957. Although the rise of 4 per cent in two years was under half the rate of increase postulated in the steel industry's plan,<sup>(1)</sup> expansion in net exports and stock-piling helped to maintain a satisfactory rise in output. In 1958, as shown in table 5, consumption and exports declined and stock-piling gave way to stock liquidation, which became more intense in the autumn. As the year ended, consumers still held more than three months' purchases of steel. The downward movement of stocks may thus continue.

**Table 5. Production and use of steel**

*Percentage of 1955 ingot output, seasonally corrected*

	Output	Net exports	Stock change	Consumption
1955 .. .. .	100.0	7.5	3.5	89.0
1956 .. .. .	104.3	7.6	4.9	91.8
1957 .. .. .	109.5	14.8	2.1	92.6
1958 1st half ..	102.5	13.2	-0.9	90.2
3rd quarter ..	95.0	12.4	-4.6	87.2
4th quarter ..	95 <sup>(a)</sup>	..	..	86 <sup>(a)</sup>

Source: Data from *Iron and Steel Monthly Statistics*, seasonally corrected with the aid of estimates given in 'Industrial Production and Steel Consumption', Sir Robert Shone and H. R. Fisher, *Journal of the Royal Statistical Society, Series A (General)*, vol. 121, part 3, 1958.

(a) Rough estimates based on *Steel Review*, January 1959.

Railway freight traffic, which has been steady or very slightly declining in recent years, fell by 15 per cent between the third quarters of 1957 and 1958, under the impact of the recession in industries producing bulky commodities.

#### *Excess capacity grows*

While expansion was slowing down or being reversed in industry, productive capacity was generally growing. Growth in industrial capital has accelerated since 1955 and even in industries where output continued to expand, such as chemicals and paper, capacity expanded faster than output.

In table 6 two estimates, arrived at by different methods, are given of the amount of fixed capital in manufacturing industry for each year since 1950. One estimate suggests that there was a 60 per cent increase in the period, and the other an increase of 30 per cent. The annual rate of growth since 1955 has been between 3½ and 5½ per cent.

<sup>(1)</sup> *Development in the Steel Industry*. Iron and Steel Board, Special Report, 1957.

**Table 6. Fixed capital and output in manufacturing, in constant prices**

*Index numbers 1950 = 100*

	Fixed capital at beginning of year		Output	Capital-output ratio		
	Depreciated value	Gross replacement cost		Based on col. (1)	Based on col. (2)	Average
	(1)	(2)	(3)	(4)	(5)	(6)
1950	100	100	100	100	100	100
1951	106	103	104	101	98	100
1952	112	106	100	113	106	109
1953	118	109	106	111	102	107
1954	124	112	115	107	97	102
1955	129	115	123	105	94	99
1956	136	118	122	112	97	104
1957	144	122	125	116	98	107
1958	152	126	123	124	102	113
1959 <sup>(a)</sup>	160	130				

(a) Provisional estimates.

In the first estimate the cost of capital, expressed in terms of constant prices, is depreciated by the straight-line method, according to lengths of life adopted for income-tax purposes. The second estimate is based on the results of the National Institute's research into the replacement cost and mortality rates of manufacturing capital: starting from an estimate for 1955, annual changes are calculated by deducting from official figures of gross investment the equivalent of normal scrapping of assets.<sup>(2)</sup> In a period of growth, the first estimate gives an exaggerated measure of the expansion in capacity; the second estimate understates the growth of capacity.<sup>(3)</sup>

If, admittedly arbitrarily, a simple average of the alternative ratios of capital to output is taken, as in the last column of table 6, it appears that, following the recession of 1952, output caught up with the expansion of capital in 1955, only to fall behind once more and this time to a far greater degree. To restore the capital-output ratio of 1950-1951 and 1955 the increase in output required now would be at least 10 per cent and possibly as much as 30 per cent.

<sup>(2)</sup> The estimate of the normal rate of scrapping has been based on the long-term experience of a sample of firms: T. Barna, *On Measuring Capital*, (to be published).

<sup>(3)</sup> The depreciated value of assets is now only about half as great as their gross replacement value. On the other hand, there is a much smaller difference between the two estimates of the annual additions to the stock of capital, principally because the rate of scrapping has been much slower than the rate of depreciation. Hence the upward bias in the first method. The second method understates the growth of capacity because it does not allow sufficiently for the superiority and more intensive use of new capital.



The question whether output could be expanded by such amounts with present resources of labour is discussed at the end of this chapter. Other doubts are also raised by these abstract calculations. It has been suggested (a) that the latest estimates of capacity are inflated because a lot of old assets are due to be scrapped, (b) that capacity was in fact overloaded in 1955, and (c) that existing capacity is unbalanced in relation to likely demand so that any general attempt to raise output to the extent indicated would rapidly produce bottlenecks. To throw more light on these questions the Institute carried out a special enquiry by visits to a sample of firms<sup>(1)</sup>.

It seems clear that points (a) and (b) can be disregarded. The large investments in recent years have resulted in substantial additions to capacity; there is evidence that the rate of scrapping of old assets was distinctly below normal during the recent boom years, but there is no indication that an abnormal proportion of capital is now due for scrapping on grounds of obsolescence<sup>(2)</sup>. 'Full utilization' of capacity, 'underloading' and 'overloading' of capacity are terms difficult to define for standard use, but it emerged from the inquiry that individual firms attach fairly precise meaning to such terms and know just where they have stood and now stand in relation to them. It appears that the peak pressure on different firms in the metal-using industries occurred at different periods between 1951 and 1957 and that only in isolated cases was capacity at any time strained. Difficulties were due not to shortages of capacity but to shortages of labour and (until recently) steel. What is here referred to as full utilization of capacity should be understood to allow for seasonal falls in output, and for periodic shut-downs for maintenance or for breakdowns, and to imply that plant is worked for customary hours with a customary number of shifts. Total costs per unit of output should then be about at their lowest. It is technically feasible, at least for a short period, to operate capacity more fully, but that is likely to lead to rising costs of production. On the other hand, the under-utilization of capacity, such as exists now, also raises costs. It was found that manufacturers held that a fuller utilization of capacity than at present would lower costs per unit of output because higher direct costs would be more than offset by the spreading of overheads.

<sup>(1)</sup> The Institute interviewed in July 1958 51 firms in the metal-using industries (except shipbuilding), which accounted for 10 per cent of total employment in these industries, and followed up these interviews at the beginning of November. In addition 13 firms in the chemicals, rubber and paper industries were interviewed.

<sup>(2)</sup> The estimates in table 6 are based on normal rates of scrapping.

### *Individual industries*

In industries producing traditional consumer goods, such as textiles and clothing, furniture, pottery and china, there is little doubt that the degree of excess capacity is above the average and any likely increase in demand could be met. It can also be assumed that the same is true of the building materials industry and the food, drink and tobacco industry (where in some sections capacity has been expanding fast). Problems of capacity in relation to re-expansion concern other manufacturing industries, and it was towards these that the Institute's special inquiry was directed.

The inquiry suggested that in the second half of 1958 excess capacity was about 20 per cent<sup>(3)</sup> in the metal-using and rubber industries, and 10 to 15 per cent in the chemicals, paper and steel industries. In the latter group capacity is still growing fast. The average of 20 per cent excess capacity in the metal-using industries conceals a great variation in the experience of different trades and of different firms within trades. The significance of these variations is altered where there are possibilities of conversions of capacity.

Sharp contrasts are formed within the group of industries producing transport equipment. Here there have been important changes in the pattern of demand and some firms have been quicker than others to convert production facilities, to the limited extent to which this is possible. The shipbuilding industry, in spite of cancellations of orders, is fully occupied for some time ahead, except for fluctuations in the repair activity of the smaller yards. On the other hand, the aircraft industry is already feeling the effects of the fall in military orders, though the full brunt of adjustment lies ahead: of an extra 100 thousand men engaged during rearmament only 10 thousand have so far been dismissed. Amongst firms supplying railway rolling stock, capacity for diesel locomotives is fully used at present, and capacity for passenger carriages is well utilized. Firms which have not converted from steam to diesel locomotives or from wagons (for which demand has fallen with the fall in freight traffic) to passenger carriages, have capacity idle.

In the car industry, where the recent output peak, in March 1958, exceeded the previous peak in October and November 1955 by 16 per cent, the massive investments of the past three years are only in part completed: plans now nearing completion should permit a further substantial rise in output. Production facilities are not yet in balance and, in the uncertainty

<sup>(3)</sup> The Institute's sample for the metal-using industries showed an average of 20 per cent in July and little change in November. Over-representation of the motor car trade and under-representation of sub-contractors, who suffered most, suggest that this figure may be on the low side.



of the second half of 1958, firms were reluctant to engage more labour. Excess capacity varying from 20 to 50 per cent remained in commercial vehicles and tractor production. Towards the end of the year there were signs of improving demand for commercial vehicles but further deterioration in demand for tractors.

A rationalization of production is in process in the bicycle and motor cycle industries where excess capacity has been heavy in the face of a decline in world demand and some increase in foreign competition.

In the electrical engineering industry, only small increases in the output of heavy plant and equipment for electric traction appeared possible as against increases of 25 to 30 per cent in the output of lighter products. Demand was slackest for intermediate products for general use, such as small transformers and motors, and products used in new dwellings and in factory construction. Among domestic appliances, refrigerators were booming but demand for radios was low; capacity in this field has been rapidly extended, partly by the entry of new firms. It is questionable whether there are still bottlenecks in electrical engineering: the most successful firms have converted capacity from light to heavy products and others may follow suit.

In non-electrical engineering, one-fifth of the firms in the Institute's sample had no surplus capacity in July. They produce office machinery, motor car accessories and plant or components for steel mills, coal mines and generating stations. But at the other end of the scale excess capacities ranged up to two-thirds in some firms, with makers of machinery for consumer goods industries showing a surplus around the average of one-fifth.

In the steel industry there was no surplus capacity in sheet steel, but, for reasons already given, excess capacity in the industry as a whole rose to 25 per cent in the autumn. In the chemicals industry, excess capacity was near 10 per cent in the autumn, with chemicals used by the textiles industries (such as dye-stuffs and sulphuric acid) suffering most and those used by the motor car trade (such as paints and leather cloth) least. In the paper industry, the opening of new mills brought excess capacity to 12 to 15 per cent in spite of rising output. In the rubber industry, on the other hand, production failed to rise to the level reached before Suez and in July excess capacity had grown to about 20 per cent; since then production cuts have reduced stocks.

### *Productivity fails to rise*

While it was not so much the fall in demand as the failure of demand to rise with the growth of capital which created excess capacity on a wide scale, it is

surprising that the larger amount of capital did not result in increases of productivity and reductions in costs. A constant volume of output, if produced with more capital, should require less labour. As table 4 shows, the change in industrial productivity over the last three years has been negligible (as measured by output per man year).

The table, however, also exhibits a strong correlation between changes in output and changes in productivity: industries with the highest increases in output (gas, water, and electricity, food, drink and tobacco, chemicals, building and vehicles) show the highest increases in productivity.<sup>(1)</sup>

Lack of progress in productivity in industry is thus largely due to the fact that industries which reduced output did not dismiss labour proportionately, although in some trades considerable adjustments have taken place. This is partly a short-period phenomenon, typical of industries, such as metals and textiles, where there is a sharp fall in output: either there is no time for adjustment or an upturn is hoped for. In many cases working hours have been reduced, but on average the decline has been small, and overtime, which often seems to be regarded almost as part of standard hours, is still widespread. Between 1955 and the second quarter of 1958, hours worked in manufacturing, mainly because of changes in overtime and short-time, fell by less than 2 per cent. Thus output per man hour has done better than output per man year, but the difference is not great. The failure of productivity to rise in engineering, the largest employer of labour, is particularly striking. Here, as elsewhere, it appears that there has not been strong pressure to reduce costs. In spite of considerable excess capacity, few firms incurred losses.

It follows that expansion should result principally in higher output per man and should require disproportionately little extra labour.<sup>(2)</sup> However, the reserve of labour is small and the question arises how fast production could expand without resulting in a renewed labour shortage. The large increase in investment in recent years, because it was not accompanied by much scrapping of old plant and may not have been sufficiently concentrated on labour-saving investment—though such investments were important—has probably led to some excess of capital capacity in relation to the labour supply. In these circumstances there should be less risk than before of

<sup>(1)</sup> The rank correlation coefficient between output and productivity changes between 1955 and the second quarter of 1958 for the 14 groups shown is 0.75, which is highly significant.

<sup>(2)</sup> The manufacturers in the metal-using industries whom we questioned expected that, on the average, they could produce 10 per cent more by working 3 per cent longer hours and employing 3 per cent more labour. But they thought they could bring their output to full capacity and produce 20 per cent more with 7 per cent more labour.



encountering bottle necks as expansion proceeds and it is the supply of labour, not capital capacity, which is likely to set the general limit to output.

### *Labour and the scope for expansion*

Unemployment in the United Kingdom had risen by early December to 571 thousand or 2½ per cent of the labour force. That is the highest post-war figure, apart from that reached in February 1947, during the fuel crisis. The number unemployed for more than eight weeks had risen to about 260 thousand and unemployment was widely spread between industries, instead of being concentrated in textiles as it was in the 1952 recession.

The reserve of labour available to meet a rise in demand is larger than appears from the increase in unemployment. In the post-war period of full employment a higher proportion of the population has been seeking work than before the war. In these

conditions any weakening in the demand for labour tends to cause some workers, especially married women and the old, to withdraw from the labour force. Thus, although the population of working age scarcely changed, the working population increased by about 200 thousand per annum until mid-1956; but the increase slowed down in 1957 and gave way to a decline in 1958 as the demand for labour fell (table 7). This change in the trend of the total labour force since 1956 has been more important than the increase in unemployment.

If the general level of demand and output were to rise again, the resulting higher demand for labour would be met by a renewed expansion of the labour force as well as by a reduction in unemployment. For this reason an increase in employment of 1 or 2 per cent (200 thousand to 400 thousand) in a period of a year or so should be possible without again encountering a severe general shortage of labour. That is, however, a relatively small addition to employment; expansion must depend principally on higher productivity per man. It is difficult to judge how rapidly productivity might rise. The experience of 1953 and 1954, when the economy was recovering from the 1952 recession, provides some guidance. Then the gross domestic product rose by 9 per cent in two years while total employment rose by 2½ per cent; industrial production rose by 13½ per cent in two years, while employment in industry rose by 3 per cent, and average working hours rose by 1½ per cent.

The situation now is similar to that in 1952. The main differences are that the fall in production and employment was then heavily concentrated in the textile industries whereas it is now general; and secondly, that the amount of excess capacity must be greater now, after a period of high investment, than it was then. For these reasons the scope for expansion may be greater than in 1952.

In the light of the above analysis of the situation in industry, there seems no reason why the performance of 1953 and 1954 should not be repeated. The possible rate of expansion would depend partly on the pattern of demand. But unless the growth of demand is abnormally biased, industrial production might rise by 10 to 15 per cent before the present opportunities for higher productivity were fully exploited and the normal, more gradual, upward trend in productivity was resumed. Judging by past experience, such an increase could hardly be achieved in one year, but it might again be achieved in two years or so. The opportunities for expansion are there. The prospects and problems of realizing them are discussed in chapter 3.

**Table 7. Employment in Great Britain**

Thousands					
	Numbers at mid-1958	Increases			
		Mid-1954 to mid-1955	Mid-1955 to mid-1956	Mid-1956 to mid-1957	Mid-1957 to mid-1958
Agriculture and mining ..	1,856	-13	-38	3	-37
Vehicles ..	1,241	55	12	-18	16
Electrical engineering ..	722	62	-5	21	1
Other metal-using ..	2,063	73	46	-8	-30
Textiles and clothing ..	1,512	-52	-20	-3	-106
Other manufacturing and utilities ..	3,959	97	28	13	-34
Building and transport ..	3,213	31	72	-29	-29
Distribution and services ..	7,226	113	110	119	64
Public administration and defence ..	1,911 <sup>(b)</sup>	-73	-31	-61	-95
Unemployed <sup>(a)</sup> ..	370	-48	21	44	135
Working population ..	24,073	245	195	81	-115

Source: *Monthly Digest of Statistics*

(a) Temporarily stopped are included under the other headings.

(b) Including an official estimate of 6,000 ex-service men and women on release leave not yet in employment.



## CHAPTER 2 : INTERNATIONAL TRENDS

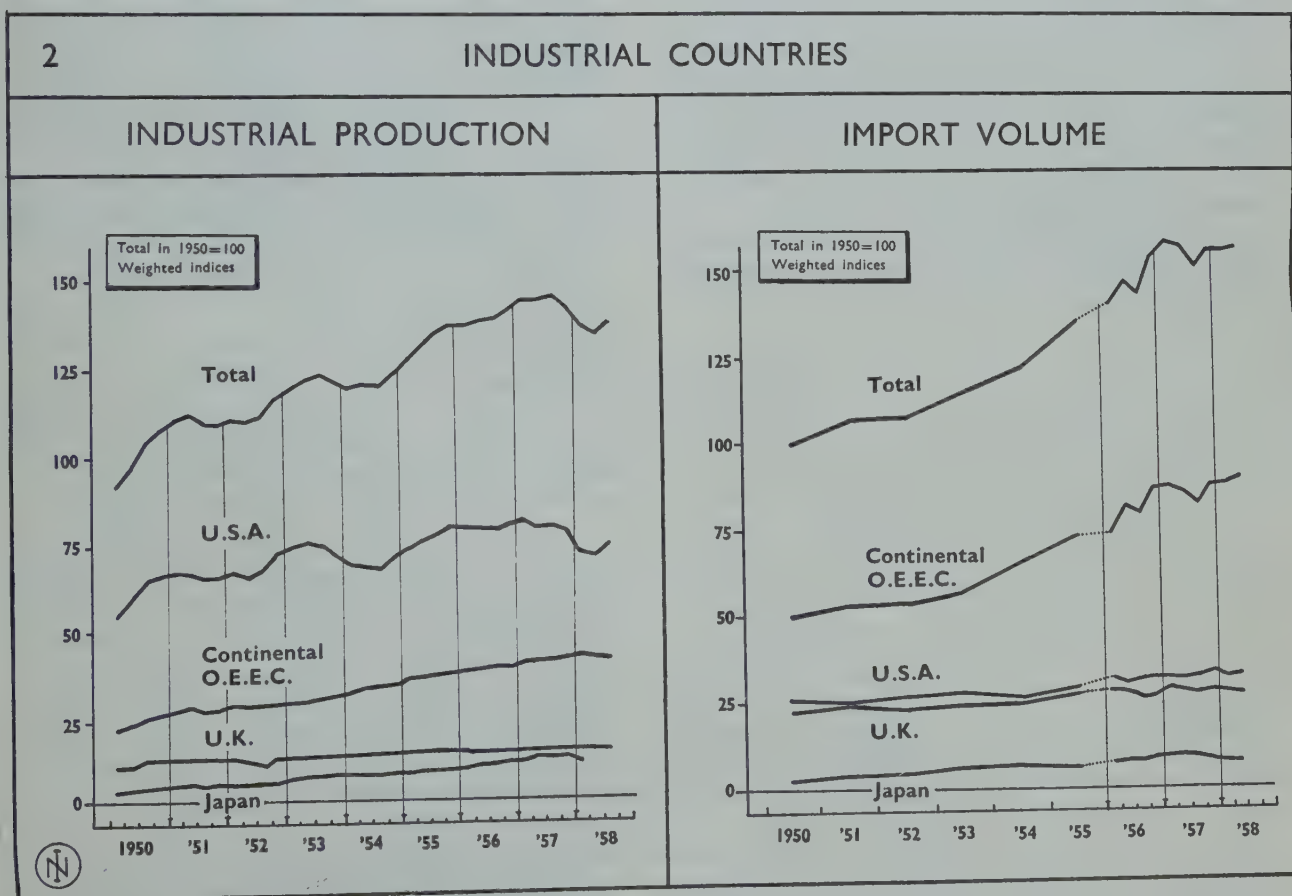
The broad outlines of the international recession are fairly clear. Since 1956 the expansion of total demand in the principal industrial areas of the world—the United States, Britain, the Continent and Japan—has been checked as one country after another has passed the peak of a trade cycle and, partly because of the adoption of anti-inflationary policies, has experienced stagnation or an actual decline in activity.

As is shown in chart 2, total industrial production in the industrial areas, taken together, stopped growing during 1957 and then fell until the second quarter of 1958 when the United States recession reached its trough. As a result of the slackening of demand, the volume of imports of the industrial countries stopped growing. Imports by the Continental countries of western Europe and by Japan, which had grown fast since 1952, levelled out during 1957; imports into Britain and the United States, which had risen less rapidly since 1952 and had levelled out earlier, remained roughly stable.

At the same time, the prices of primary products fell. Although slackening of demand in the industrial countries was the immediate cause, other forces have been at work: on the one hand, supplies of various primary products have been expanded rapidly in recent years in the expectation of a sustained growth of world demand; on the other hand, there is some evidence that industrial countries tended to become rather less dependent on imports of primary products.<sup>(1)</sup> The fall in prices reduced the export earnings of those countries which principally produce and export primary products, and so forced them to reduce their imports.

Britain, like other industrial countries, has therefore been faced by a reduced demand for her exports, first from the industrial countries and then from the primary producing countries too. The decline has

<sup>(1)</sup>See *Trends in International Trade*, G.A.T.T., Geneva, 1958, paragraphs 119 to 128.



Sources : Industrial production : *Appendix table 16*, except for Japanese figures, for which an earlier UN series was used. Each series is weighted according to its approximate importance in 1953 in the UN world industrial production index. Import volume : *UN Monthly Bulletin* and *OEEC General Statistical Bulletin*. The series are weighted by the value of imports in 1953.



been partly the consequence of the deflation in Britain which has contributed to the fall in primary prices and to the decline in incomes overseas. The key questions now are two: how nearly has this contraction of trade—and hence the period of declining export demand—been completed? And are there yet signs of a recovery in the industrial areas that will, in time, restore an upward trend in international trade?

### British exports decline

The total volume of British exports, seasonally corrected, began to fall in the fourth quarter of 1957 and by the first quarter of 1958 was 4 per cent below the mid-1957 peak. As shown in table 8, exports to western Europe had been falling since the first half of 1957, and in the first quarter of 1958 were 13 per cent lower in volume than a year earlier. By the first quarter of 1958 exports to France, where severe import cuts had taken effect, had fallen by 30 per cent in value compared with a year earlier and exports to Belgium, Denmark and the Netherlands by figures varying from 16 to 23 per cent. Exports to other western European countries generally fell by smaller amounts, with the notable exception of exports to Germany which rose slightly. There were also falls in exports to Japan and to primary producing countries outside the sterling area. But exports to the sterling area were virtually maintained in the first quarter and, contrary to expectations, exports to the United States rose despite the recession, principally because of higher sales of cars.

In the second and third quarters the trend changed. These two quarters need to be considered together

because in June the dock strike delayed shipments from one quarter to the next. While exports to North America remained stable, exports to western Europe stopped falling; there was a marked increase in exports to Germany which offset a continuing, though more gradual, fall in sales to other western European countries. On the other hand, exports to the sterling area now fell significantly.

These trends in British exports appear to fit broadly into the general pattern of developments in international trade. Despite the recession, United States imports of manufactures actually rose in 1957 and 1958. The trade of the primary producing countries, as is shown below, reacted to the general deflation with some delay. On the other hand, the growth of intra-European trade, which in earlier years had been very rapid, was checked during 1957 by the import cuts introduced by France and by the slackening of demand in European countries. In volume terms trade between O.E.E.C. countries fell by about 2½ per cent between the first half of 1957 and the first half of 1958, while the value fell rather more owing to the fall in the prices of primary products entering that trade. The one important element of expansion was the growth of imports into Germany, where import barriers have been reduced. In the first half of 1958, Germany's imports from other O.E.E.C. countries were 10 per cent higher than a year earlier. But imports from their neighbours by a number of other western European countries, besides France, had fallen. The largest fall—20 per cent—occurred in the Netherlands where deflation caused a sharp fall in import demand. In Italy there was a fall in imports of 10 per cent and in Belgium a fall of 7 per cent.

Table 8. U.K. exports by area

	Value in 1957 (£mn.)	Volume (1954 = 100), seasonally adjusted <sup>(a)</sup>								
		1955	1956	1957	1957				1958	
					I	II	III	IV	I	II & III Average
Western Europe .. ..	905	107	116	116	123	117	114	111	107	107
North America .. ..	432	115	137	143	138	146	148	141	147	147
Sterling Area .. ..	1501	106	105	105	103	107	107	105	105	101
Other primary producers ..	384	102	113	120	112	118	122	127	116	115
Total <sup>(b)</sup> .. .. .	3318	107	113	115	114	116	116	114	112	110 <sup>(c)</sup>

Source: Appendix table 13.

(a) Adjusted for variation in the number of working days and excluding Lend/Lease silver, but not adjusted for the effects of dock strikes. For details of construction of the index numbers and definitions of the areas, see notes to table 13 of the Statistical Appendix.

(b) Including exports to Japan and the Sino-Soviet countries, which are excluded from the area details.

(c) The October/November figure is 114.



### Primary producing countries

The value of the primary producing countries' exports reached a peak at the beginning of 1957 after the Suez crisis, when prices were temporarily high, and fell by some 6 per cent between the second quarter of 1957 and the second quarter of 1958. This seems entirely accounted for by the fall in prices: the volume of their exports seems to have been maintained.

**Table 9. Visible trade and reserves of primary producing countries**

\$ billion, quarterly rates

	Exports fob	Imports cif	Trade balance cif/fob	Change in reserves
<i>Years</i>				
1954 ..	6.5	6.7	-0.2	0.0
1955 ..	6.9	7.3	-0.4	0.0
1956 ..	7.2	7.7	-0.5	+0.1
1957 ..	7.5	8.6	-1.1	-0.2
<i>Quarters</i>				
1957 I	7.6	8.0	-0.4	+0.1
II	7.5	8.7	-1.2	—
III	7.2	8.6	-1.4	-0.4
IV	7.4	8.7	-1.3	-0.4
1958(p) I	7.3	8.1	-0.8	-0.6
II	7.0	8.1	-1.1	-0.4
III	6.9	8.1	-1.1	..

Source : Appendix tables 15 and 21. For definitions of primary producing countries, see p. 51. (p) Provisional.

The value of primary producing countries' imports, on the other hand, rose sharply in 1957. As is shown in table 9, this greatly increased their trade deficit, and, despite aid and loans, caused a loss in their reserves. Their imports began to fall only at the beginning of 1958, and it was their imports from the United States which fell most. Thus by the second quarter, United States exports to the primary producing countries had fallen far more, both absolutely and proportionately, than Europe's. (The rise in Europe's exports in the fourth quarter is partly a seasonal hump.)

As a result of the reduction in their imports, the combined trade deficit of the primary producing countries, which was running at the rate of \$1.3—\$1.4 billion a quarter during most of 1957, had been reduced to about \$1.1 billion a quarter by mid-1958. Their total reserves, which are affected not only by their visible trade but also by invisibles and by capital movements, were still declining at the same pace as before. Their imports remained stable in the third quarter, but they may have declined since then. How much further they will now decline depends heavily on how well the flow of capital and aid to these countries is maintained. The size of the deficit which the primary producing countries can finance without

drawing on their reserves has increased, especially since 1956, because of a considerable increase in their receipts of capital and aid.

**Table 10. Exports to primary producing countries**

\$ billion, quarterly rates

	United States	O.E.E.C. countries		Total U.S.A. and O.E.E.C.
		United Kingdom	Other O.E.E.C.	
<i>Years</i>				
1954 ..	2.07	1.12	1.63	4.82
1955 ..	1.88	1.21	1.75	4.84
1956 ..	2.25	1.26	1.70	5.21
1957 ..	2.52	1.32	1.92	5.75
<i>Quarters</i>				
1957 I	2.40	1.30	1.86	5.55
II	2.52	1.32	1.91	5.75
III	2.46	1.27	1.86	5.58
IV	2.69	1.39	2.05	6.13
1958 I	2.25	1.35	1.94	5.54
II	1.95	1.22	1.88	5.06
III	1.73	1.24	..	..

Source : O.E.E.C. Foreign Trade, Series I.

### Capital and aid

In 1957, the primary producing countries are estimated to have received about \$5 billion in capital and aid (excluding loans and aid from the Soviet countries which amounted to \$360 million or more, and excluding capital movements between France and her dependencies where political disturbances caused a repatriation of funds to France). The net flow of capital to primary producing countries from the United States, inflated by payment of \$360 million to Venezuela for oil concessions, amounted to about \$2 billion, and United States aid (excluding military aid) was more than \$1 billion; the I.M.F. and I.B.R.D. disbursed more than \$600 million to these countries, more than double the amount in the preceding year; the flow of long-term capital and aid from Britain amounted to about \$700 million (excluding the movements of funds to the Middle East and Hong Kong which were used to purchase dollar securities), and the flow from the Continent probably amounted to \$400 million or so, excluding the movements of funds between France and her dependencies.

In the first half of 1958, the outflow of capital from the United States was maintained at about the level it reached in 1957 (apart from the decline in payments for oil concessions in Venezuela), and so was the flow of United States aid. I.B.R.D. disbursements were higher but drawings from the I.M.F., which in 1957 had been swollen by large drawings by India and the Argentine, were lower. The flow of capital and aid from Britain also remained unchanged.



During the second half of 1958 a large number of under-developed countries in the sterling area and in Latin America have obtained loans from the industrial countries, notably the United States and Britain, or the international agencies. India in particular has arranged foreign assistance of about \$500 million; Argentina has negotiated loans of \$329 million. There has also been a lengthening of commercial export credits by industrial countries. On the other hand, the recession may in time reduce direct private investment in primary producing countries. On balance the supply of capital has probably been maintained in 1958. It also seems likely that the loans already negotiated will maintain the supply in the first months of 1959. But thereafter new loans will have to be negotiated if the flow is to continue at the present rate. India is expected to exhaust her present loans before the middle of the year.

Provided the flow of capital and aid is maintained, there may not be much further general decline in the imports of the primary producing countries in the coming months. This view is broadly confirmed by trends in particular countries. In Latin America, where low prices for coffee and metals reduced export earnings, import cuts were already operative at the beginning of 1958. In South Africa, though wool prices have been low, the payments position has improved, and import restrictions have been slightly relaxed. Pakistan's exports have also fallen, but here too imports are already severely restricted. The balance of payments of the oil countries and also of the European countries' African colonies were relatively favourable in 1958. Since their reserves are large, they are unlikely to have to curtail imports. Some sterling countries, however, may have to reduce imports. India's dependence on further capital aid has already been mentioned. New Zealand has announced a further 10 per cent cut in private imports in 1959; butter prices, however, have recently risen, which should help her export earnings and mitigate the need for import restraints. Australia has so far maintained imports in face of lower wool earnings only by drawing on her reserves.

#### *Prospect for primary exports*

Looking further ahead, the prospects for the primary producing countries depend upon the course of their exports. In October and November there was some recovery in primary prices; in December, however, prices declined once more. The National Institute index of primary producers' export prices<sup>(1)</sup> (which excludes oil) fell 15 per cent in the year up to the first quarter of 1958 and then stayed level until

the third quarter. It rose by 4 points between the third quarter and November but it is provisionally estimated to have fallen again by about 3 points during December. In the autumn, butter, rubber and non-ferrous metals, notably copper and zinc, rose in price; wool, jute and tropical beverages fell. There were special reasons for the rises: copper prices benefited from a strike in Rhodesia, lead and zinc from anticipatory buying before import quotas were imposed in the United States, rubber from Russian buying.

With small movements taking place and special factors explaining many of them, it cannot yet be said that there is evidence of a genuine recovery in the markets for primary products. Capacity to produce primary products has probably continued to expand as a result of investments planned earlier. In the United States, changes in stocks and in domestic production, particularly of metals and petroleum, may damp the impact of recovery on primary markets just as they damped the impact of the recession. In Europe, on the other hand, there has probably been some de-stocking of commodities, but, as noted earlier, the de-stocking of imported commodities in Britain has already ceased. Any substantial revival in the export earnings of the primary producing countries must wait upon an increase in demand for primary products in the industrial areas.

So far, the stagnation of activity in Continental Europe and the decline in activity in Britain during 1958 has partly offset the effects of the recovery in the United States. In the third quarter of 1958, total industrial production in the United States, western Europe and Japan (as shown in chart 2) had shown some recovery but had still not regained the level it reached in the first nine months of 1957. The economic outlook in Europe is of major importance, not only for its direct effects upon the volume of international trade, but also for its indirect effects through commodity prices. Western Europe, including Britain, is between two and three times as important as the United States as a trading partner of the primary producing countries as a whole. In its consumption of primary products, which is a better measure of an area's influence on prices, Europe generally rivals the United States in importance. In the years before the present setback, the growth of industrial production, and of consumption of many imported industrial materials was more rapid in western Europe than in the United States.

#### *Hesitation in Europe*

While in Britain expansion slowed down after 1955 and gave way to a slight decline in 1958, on the Continent it continued in a number of countries until the end of 1957. In consequence, total industrial

<sup>(1)</sup> See Appendix table 20 and article on page 32.



production in all O.E.E.C. member countries (including Britain) levelled out at the beginning of 1958 and in the second quarter showed evidence of a slight decline. The weakening of export demand overseas discussed earlier, has affected most countries. Fixed investment has tended to level off and in one or two countries it has indeed fallen. In many countries stock-building has slowed down, or stocks have fallen. Consumers' expenditure has generally continued to rise a little; and government spending is now rising in most countries. As in Britain, the industries most affected have been textiles, coal and steel. In each case, there is evidence that a cycle of unintended stock increases followed by lower stock-building or de-stocking, has been in progress.

Recently there have been signs of recovery in some sectors and signs of a revival in business confidence, partly induced by the recovery in the United States. Credit has commonly been eased and in a number of countries construction activity has begun to rise. In the Netherlands, which experienced a fairly marked recession, and in Germany and Italy, the latest figures, which refer to the autumn, show some increase in activity for one month or so. The pressure of demand may continue to ease in France, where expansion ceased most recently, and where the end of the year brought new deflationary policies as an accompaniment to the further devaluation of the franc.

While on balance the decline appears to have stopped, it is too early to say that the trend has turned upwards on the Continent.

### **The recovery in the United States**

The United States economy recovered unexpectedly fast in the summer of 1958, because of a reduction in the rate at which stocks were falling, a rise in Government spending, a rise in house-building, and a moderate recovery in consumers' expenditure. In September and October the recovery slowed down, partly because strikes in the motor car industry temporarily impeded sales and production in that sector, but in November industrial production rose by 2 per cent. Looking further ahead, the end of de-stocking, and any return to normal stock accumulation, cannot for long continue to raise demand. It is uncertain whether other elements in demand will grow sufficiently rapidly in 1959 to sustain the recovery and generate a continuing expansion of production and employment.

The main questions are whether business investment in fixed assets will rise or not, whether consumers will increase their expenditure on this year's cars and on other durable goods, and how much Government expenditure will rise. Fixed investment by business,

which fell severely during the recession, is now believed to have stopped falling and, according to business forecasts, is expected to rise gradually in 1959. But there is still substantial excess capacity in American industry, and it is uncertain whether business will revise its investment plans upwards to any great degree unless other types of demand recover sufficiently to utilize existing capacity more fully.

Government expenditure may not now be rising as rapidly as it did in the middle of 1958. It is expected to continue to rise until mid-1959. Thereafter it will depend on Government decisions yet to be made. On balance, recovery can be expected to continue in the months immediately ahead, but the further outlook is uncertain.

### **Prospects for British exports**

Three-fifths of British exports go to primary producing countries. In the coming months, exports to them are likely to be more stable. But until primary prices rise—and then only with some delay—there is unlikely to be any substantial recovery in demand in those markets. In Europe and the United States, export prospects look more favourable. Exports to the United States have done well throughout the recession and the subsequent recovery, and should continue to expand. On the Continent, demand is likely to be fairly stable and, with some countries emerging from a period of recession, exports may do rather better: the initial steps towards the Common Market are not likely to affect British sales much in total.

Competition in export markets is likely to remain strong. There is no evidence of any substantial change in the competitiveness of British exports. British order books have shortened, but so have the order books of other countries, though perhaps to a lesser extent. British export prices have been virtually stable in 1958, as have those of her main competitors. Figures up to the third quarter show that Britain has recently been maintaining her share of world exports of manufactures, while Germany's share has risen and the United States share has fallen. The formal introduction of convertibility is likely to accelerate the ending of discrimination against dollar goods where it still continues, and to that extent it will tend to intensify competition against British goods.

The latest British export figures have been surprisingly good. The totals for October and November suggest that the underlying trend may already have turned upward. Even if it has, the expansionary forces in the world economy seem still too weak to cause a rapid increase.



## CHAPTER 3 : THE OUTLOOK IN BRITAIN

There have already been signs of a revival in some items of demand in the last months of the year, partly due to spontaneous forces and partly due to the measures taken by the Government. It is commonly expected that further measures to raise demand will be introduced by the Government in the Budget, if not earlier. But before discussing further Government measures it is necessary first to consider what developments would be likely in the absence of any new measures. That is what the Chancellor will be considering and it is the only way to assess the prospects and problems of economic policy.

In the following pages trends in the different items of demand are examined in detail. Since these different items react upon one another, it is necessary first to form a general view of the course that all the items of demand together, reacting upon one another, are most likely to follow. The following four points stand out clearly. First, as noted earlier, exports may already have begun a gradual recovery. Secondly, sales of consumer durables have risen sharply. Thirdly, the rising trend of public investment will roughly counter-balance the expected decline in private fixed investment. Fourthly, in these circumstances the downward adjustment of stocks and work in progress should not continue to depress production for long. The initial assessment, therefore, is that demand and production, in the absence of new Government measures, will rise again during 1959 but probably not enough to surpass the level reached in 1957, before the decline began. This general view is elaborated on page 28 at the end of the detailed discussion of demand. Before the trends in demand are analysed, it is necessary to examine the trends in wages, profits and prices. Apart from being of direct relevance to economic policy, they influence

consumers' purchasing power and hence consumers' expenditure.

### Wages, profits and prices

At the end of 1958 wage rates were about  $3\frac{1}{2}$  per cent higher than a year before, a smaller rise than in any year since 1953. The increase was smaller both because the average wage settlement was less than before and also because the annual round of wage negotiations was more prolonged than in previous years. As shown in table 11, those getting wage increases in major wage bargains in 1958 had, on average, waited 15 months since their last award, whereas in 1957 they had waited 13 months and in 1956 12 months. In 1958 the major settlements were made in the second half of the year; in 1957 they had been concentrated in the second quarter. Meanwhile, the average award in major wage settlements fell from 6 per cent in 1957 to about 4 per cent in 1958. As a result, the index of wage rates (covering all workers) rose by about 1 per cent in the first half of 1958 but by more than 2 per cent in the second half. Some increases are still to come and some of the next round of claims have already appeared. The wool textiles and the electricity supply workers' claims are still unresolved; a new claim by building operatives will be presented in January. The general printing unions have given notice that they will terminate their three-year agreement in April.

One reason for the protraction of the wage round was the undertaking given by the engineering unions in May 1957 not to put in a claim for twelve months; their next award came in October 1958. The changes in bargaining must have been influenced by the decline in the pressure of demand for labour which, as measured by the trend of unemployment and

**Table 11. Changes in wage rates**

	1955	1956	1957	1958 <sup>(p)</sup>	1957				1958			
					I	II	III	IV	I	II	III	IV <sup>(p)</sup>
<i>All industries<sup>(a)</sup></i>												
Millions obtaining wage award ..	11.9	12.7	12.3	12.9	3.0	6.9	2.5	1.9	2.4	3.1	3.0	4.4
Index of wage rates : percentage change during period <sup>(b)</sup> .. ..	7.0	7.8	5.5	3.5	1.1	2.9	0.7	0.6	0.4	0.6	0.9	1.5
<i>Major negotiating groups<sup>(c)</sup></i>												
Millions obtaining award .. ..	..	8.3	7.7	7.2	1.4	4.9	0.5	0.9	0.1	0.8	2.9	3.3
Months since last award .. ..	..	12.1	13.4	15.5	10.6	14.5	13.8	12.3	12.0	15.0	15.7	15.5
Average percentage award <sup>(d)</sup> .. ..	..	6.6	5.8	4.2	4.8	5.9	6.0	6.5	6.3	4.5	4.2	4.0

Source : NIESR estimates from data in *Ministry of Labour Gazette*.

(a) Covers about  $13\frac{1}{2}$  million wage earners.

(b) From end of one period to end of next period.

(c) 53 wage-negotiating groups, covering about  $7\frac{1}{2}$  million wage earners.

(d) Increase in lowest time rate for adult male labour.

(p) Provisional.



vacancies, was lower in 1958 than in any other post-war year. Encouraged by Government precept and example, employers have adopted a stiffer attitude, while trade unions seem generally to have been pushing their claims less hard. The Transport and General Workers' Union was not supported in its proposal to extend the London bus strike. The railway unions settled for a 3 per cent increase, although coupled with the promise of a general review. The engineering unions settled for an increase amounting to 4 per cent on basic rates, which implies a rise of about 3 per cent on average in actual pay.

The economic conditions which induced the greater moderation in wage settlements are likely to persist in 1959. Having risen in the first three quarters of the year, unemployment, after allowance for seasonal variations, remained virtually unchanged at 2.4 per cent of total employees during the last quarter. Even if there is some recovery in production during 1959, the pressure of demand for labour is unlikely to rise much above the 1958 level. The index of retail prices, which rose by only 2 per cent in the twelve months ending in November 1958, is again likely to rise relatively slowly. The regular wage round, however, has become an established practice. Moreover, if wage adjustments are made, there is probably a minimum increase which trade unions will accept. Even if some unions get awards earlier than they did last year, the wage round is again likely to be concentrated in the second half of the year, and some groups may not get increases until after the end of

the year. It therefore seems probable that the rise in average wage rates will be relatively slow, say, 2 or 3 per cent during the next twelve months.

### Costs and prices

The general course of total final prices has been very closely associated, after a normal lag, with the trend of labour costs and import prices. It is the delayed effect of the decline in import prices which principally explains the greater stability of prices during 1958.

In most post-war years weekly wage earnings per worker have risen faster than wage rates, except when output declined. In the twelve months ending in April last year (the last date for which information is available), average working hours declined slightly and weekly earnings per head rose by 4½ per cent, only about as fast as wage rates. They probably continued to rise about as fast as wage rates during the rest of the year, at an annual rate of 3 to 4 per cent. The national income statistics up to the second quarter of 1958 suggest that salaries have been rising about as fast; the increase in employers' insurance contributions must have added 1 per cent to labour costs over the year. In total, therefore, labour costs per worker must have risen by about 4 to 5 per cent during 1958 compared with a rise of 6 to 8 per cent a year from 1955 to 1957 (table 12).

The possible benefits to production costs of the slower increase in labour costs per worker were lost, however, because output per man fell slightly instead

Table 12. Costs and final prices

	Percentage change from previous period <sup>(a)</sup>									
	1955	1956	1957	1957				1958		
				I	II	III	IV	I	II	III
Wage rates .. .. .	+6.8	+7.9	+5.1	+0.7	+2.6	+1.4	+0.6	+0.5	+0.5	+1.0
Labour costs per worker <sup>(b)(c)</sup> .. ..	+8.2	+7.9	+5.9	+0.9	+2.5	+2.0	+0.6	+1.9	+0.5	+1.3 <sup>(p)</sup>
Output per worker <sup>(b)</sup> .. .. .	+2.3	-0.1	+1.1	+0.4	+0.5	+0.1	-0.5	+0.7	-0.7	-0.6 <sup>(p)</sup>
Labour costs per unit of output <sup>(b)(c)</sup> ..	+5.8	+8.1	+4.6	+0.6	+2.1	+1.9	+1.0	+1.2	+1.2	+1.9 <sup>(p)</sup>
Import prices .. .. .	+3.4	+1.9	+1.5	+2.5	0.0	-4.0	-3.1	-3.2	-0.3	-0.4
Labour and import costs per unit of output <sup>(d)</sup>	+5.2	+6.7	+3.8	+1.1	+1.6	+0.4	+0.1	+0.3	+0.9	+1.3 <sup>(p)</sup>
Average final prices <sup>(e)</sup> .. .. .	+3.4	+5.1	+3.4	+0.8	+1.3	+1.0	+0.6	+0.4	+1.0	-0.5 <sup>(p)</sup>
of which :										
Consumer prices .. .. .	+3.5	+4.5	+2.9	+0.8	+1.3	+0.8	+0.8	+0.7	+1.2	-1.0 <sup>(p)</sup>
Fixed investment .. .. .	+4.8	+5.3	+3.4	-0.6	+1.3	+1.9	+0.9	+0.3	+0.1	0.0 <sup>(p)</sup>
Exports .. .. .	+2.1	+4.8	+3.2	+2.1	+1.0	-0.1	-0.4	0.0	0.0	-0.6 <sup>(p)</sup>
Output prices of manufactured products <sup>(f)</sup>	+2.7	+4.1	+3.6	+1.0	+0.5	+1.3	+1.3	+0.1	0.0	-0.1

Sources : *Economic Trends*, Ministry of Labour Gazette, *Monthly Digest of Statistics* and NIESR estimates.

(a) Change from average of one period to average of next period.

(b) Adjusted for seasonal variation.

(c) Including changes in employers' insurance contributions.

(d) Import prices and labour costs per unit of output weighted in the proportions 0.25 and 0.75.

(e) Average market prices of final, expenditure excluding changes in the prices of goods added to stocks.

(f) Excluding fuel, food and tobacco.

(p) Provisional.



of rising. Hence labour costs per unit of output must have risen by about 5 per cent during the year. That is at least as large as the increase in 1957, when a greater rise in labour costs per worker was partly offset by a small rise in productivity.

The 10 per cent fall in import prices between mid-1957 and early 1958 largely counteracted the rise in labour costs. But changes in both labour costs and import costs are incorporated into prices only after some months' delay. It was therefore only after the beginning of 1958 that the fall in import prices was reflected in final prices. From the beginning of the year onwards, final prices were on balance virtually stable, although consumer prices were raised both by higher rents and by a temporary rise in food prices in the spring. Factory prices of manufactured goods, excluding food, fuel and tobacco, have been stable since the beginning of the year, as have export prices and the prices of investment goods.

From 1955 to 1957 gross trading profits and other property incomes rose, though rather less rapidly than labour costs. In the first half of 1958, the latest period for which profit statistics are available, the total gross trading profits of companies and public corporations were about the same as a year before, both in the aggregate and per unit of output. But other forms of property income, including rent and the profits of unincorporated businesses, were estimated still to be increasing. Hence total property incomes per unit of output were still rising at the rate of about 4 per cent a year, roughly in proportion to final prices.

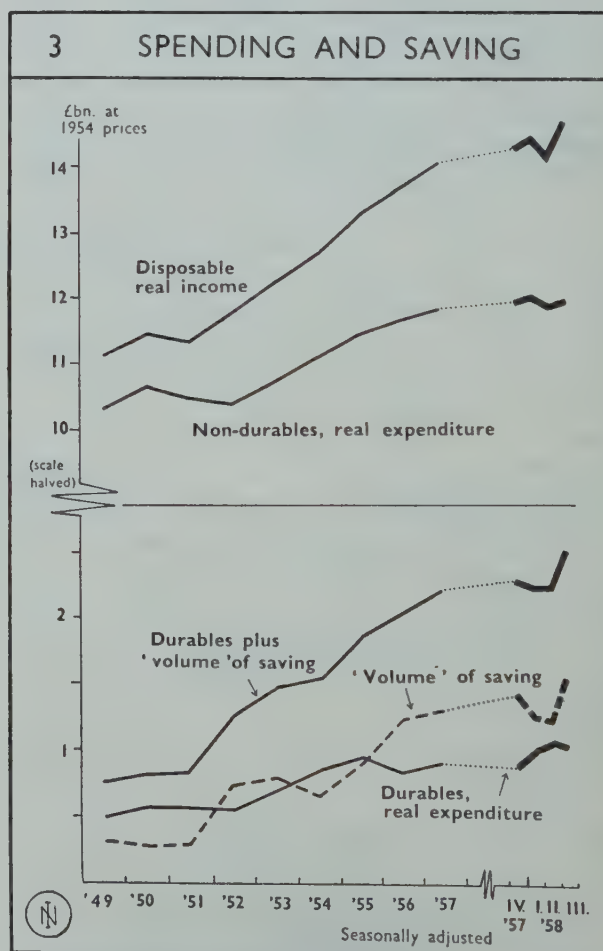
#### *The prospect for prices*

Import prices, as shown in table 12, have been stable since the first quarter of 1958. The National Institute index of current import prices<sup>(1)</sup> suggests that in the next two or three months import prices are likely to be stable or to increase slightly. At the same time, the effects of the wage increases in the second half of 1958, unaccompanied so far by any rise in output per worker, will probably make themselves felt in the early months of 1959.

Special factors may always disturb food prices. For example, there is a risk that the price of potatoes may rise owing to a short crop. Otherwise the prospects for price stability during the year depend on four factors. First, the analysis in the last chapter suggests that there may not be much rise in import prices during the year. Secondly, it was suggested above that wage rates will increase during the year, by perhaps 2 or 3 per cent, but that the major increases may not come until late in the year, as in 1958. The

two remaining factors are the course of demand and output and the course of profit margins. Their effects are much more doubtful. A rise in output from current levels should principally be met by higher productivity, not by a corresponding rise in employment. Hence a 2 or 3 per cent rise in wages, especially if it is delayed until later in the year, need not involve a significant rise in labour costs per unit of output. Finally, there is some chance that the stability in corporate profits may continue, and may spread to other forms of property income, for if there is only a modest recovery, demand will remain relatively low. Total profits and property income represent about one quarter of the value of final sales, about half as much as total labour costs.

In the circumstances we envisage, with a moderate rise in output above present levels, there thus seems to be no reason for a greater rise in final prices than in the last twelve months. There is no reason to think that a continuation of demand and output at current levels is much more likely to achieve price stability than a recovery. The rise in productivity that would accompany a recovery would help, at least initially, to keep costs and prices stable.



<sup>(1)</sup>See page 32.

Sources: Appendix table 6. Disposable income and savings are adjusted to 1954 prices by the consumer prices index.



### Personal incomes and consumers' expenditure

During the first nine months of 1958, the volume of consumers' expenditure, apart from seasonal variations, was almost unchanged. At the end of the year, however, sales of some durable goods revived after the removal of hire purchase restrictions. This recovery is dealt with more fully below. Retail sales figures for October and November show little change in expenditure on non-durable goods.

The stability in total consumers' expenditure during most of 1958 followed moderate increases in 1956 and 1957 and sharp increases from 1952 to 1955. These changes correspond broadly to the trends in consumers' real disposable incomes. Total personal income after tax and insurance contributions rose less rapidly in 1958 than in the previous years, because of the slower increase in wages and salaries, and because of the decline in employment and working hours. On the other hand, consumers benefited from the greater stability of retail prices resulting from the fall in import prices. The gain here was not, however, substantial until the third quarter. There was then a rise in real incomes which probably continued in the fourth quarter, when some important wage awards were made.

In 1959 the rise in wages and salaries is likely to be small. Only a moderate increase in wage rates is expected and, even if output rises moderately, there is likely to be little increase in employment and working hours. Although prices may be relatively stable, any increase in consumers' real incomes is therefore likely to be small. Whether or not there is any increase in consumers' expenditure at a time when real incomes are relatively stable will depend principally upon consumers' decisions to buy durables or to save. In recent years, there have been marked changes in the proportion of incomes spent on durable goods which have been partly matched by opposite variations in the rate of personal saving. As chart 3 shows, the total of personal savings plus expenditure on durables shows a more stable trend than do savings or spending on durables alone. Recent fluctuations in the demand for durable goods are examined in the following paragraphs.

#### Consumers' demand for durable goods

Expenditure on durable goods represents only about 8 per cent of consumers' expenditure, but can vary considerably over short periods. The total comprises three main groups of goods: cars and

Table 13. Hire purchase controls and purchase tax on durable consumer goods

	Cars			Radio and Electrical Goods <sup>(a)</sup>			Furniture and Floor Coverings		
	Hire Purchase		Purchase Tax	Hire Purchase		Purchase Tax	Hire Purchase		Purchase Tax <sup>(c)</sup>
	Minimum deposit	Repayment period		Minimum deposit	Repayment period		Minimum deposit	Repayment period	
	Per cent	Months	Per cent	Per cent	Months	Per cent	Per cent	Months	Per cent
Position as at February 1952 ..	33½	18	66½	33½	18	66½	12½	24	33½
Changes made in : April 1953 ..			50			50			25
July 1954 ..	Controls off			Controls off			Controls off		
February 1955 ..	15	24		15	24		15	24	
July 1955 ..	33½			33½ <sup>(b)</sup>					
October 1955 ..			60			60			30
February 1956 ..	50			50 <sup>(b)</sup>			20		
December 1956 ..	20								15
April 1957 ..									
May 1957 ..	33½								
April 1958 ..						30/60 <sup>(d)</sup>			
September 1958 ..				33½ <sup>(b)</sup>			Controls off		
October 1958 ..	Controls off			Controls off					

(a) Electrical goods include refrigerators, vacuum cleaners, washing machines and cookers. Cookers were exempt from purchase tax throughout.

(b) Hire purchase deposits on cookers remained at 15 per cent between February 1955 and February 1956 and were 20 per cent between February 1956 and September 1958, when hire purchase controls on cookers were removed. Repayment period was 48 months throughout.

(c) The purchase tax rates for furniture in 1953 and 1955 refer to items outside the former D-scheme.

(d) 30 per cent on electrical goods; 60 per cent on radio and television sets.



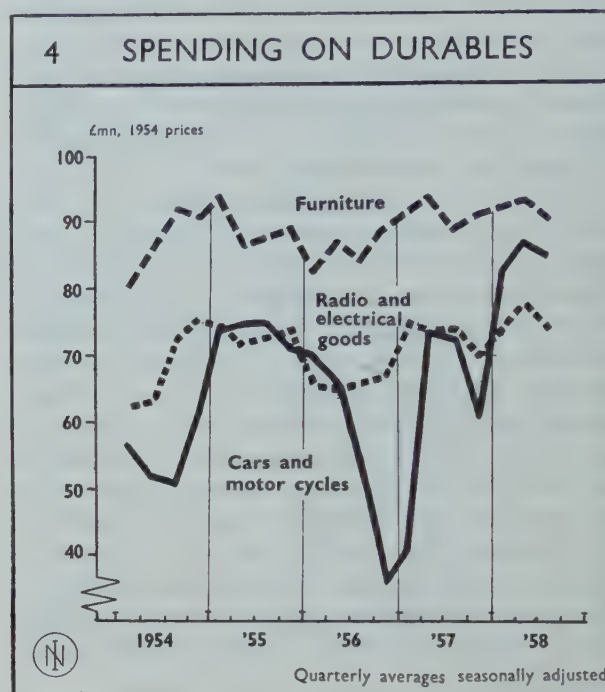
motor cycles; furniture and floor coverings; and radio and electrical goods. The rising trend of demand for these goods in the past ten years has been broken twice, in 1952 and 1956, by temporary declines followed by quick recoveries. These short-period cycles have been due, at least in part, to changes in hire purchase regulations and in purchase tax. Nearly all these goods are subject to purchase tax, and in each of the main groups about half of consumers' purchases are made on hire purchase terms<sup>(1)</sup> or other forms of instalment credit.

The effect of a rise in incomes on purchases of durable goods is very marked in the long run. As a rough rule, purchases of durables seem to increase about twice as rapidly as real incomes. But because of the large initial outlays required, and perhaps also because consumers are slow to form new habits, the full effect may come through only over a period of years.<sup>(2)</sup> The effect of hire purchase is to reduce this delay, making it possible for consumers to accelerate their purchases. A relaxation of hire purchase restrictions thus brings forward some future demand into the present, and so causes a temporary rise in demand. It may also extend the total market for durable goods. Conversely, restrictions on hire purchase cause a deferment of purchases and hence a temporary decline in demand. Substantial changes in the terms of hire purchase may thus have far more important effects on year-to-year changes in demand than the small changes that occur in real incomes.

Changes in the volume of sales of durables over the last decade are shown on chart 3 (and in more detail for more recent years on chart 4). Table 13 lists the main changes in hire purchase controls and in purchase tax since 1952.

The first dip in the curve in 1952 was probably due less to the restrictions imposed in February of that year than to the general depression of spending power at that time, and to the fact that the post-war backlog for durable goods had by then been largely worked off. From 1952 to 1955 demand for durable goods rose rapidly. Much of this was the normal accompaniment of rising real incomes, but it must have been helped by three effects of Government measures: the wearing off of the temporary effects of the 1952 restrictions on hire purchase; the reduction of purchase tax in 1953, which led to a 6 per cent fall in the relative price of durables in that year; and the temporary removal of hire purchase restrictions in 1954. These interventions contributed one after

another to the continuous and rapid expansion of purchases after 1952. As their effect wore off, some easing in demand was to be expected.



Source: Appendix table 6.

In the event, hire purchase restrictions were re-imposed in 1955, and in the autumn of 1955 purchase tax was raised, causing an increase in the relative price of durable goods of about 4 per cent. Demand for durable goods fell heavily at the end of 1955 and during 1956. It began to revive again at the end of 1956 and early in 1957, although car sales were further depressed by the Suez crisis and recovered only in the spring of 1957. By the beginning of 1958, expenditure on durable goods had regained the previous peak of 1955 and remained at this level until the fourth quarter of the year.

#### *Hire purchase restrictions removed*

Hire purchase restrictions were removed from furniture, cookers and motor cycles in September 1958, and from all other goods, including cars, in October. Sales of cars, as shown by new registrations, were fairly stable during most of 1958 (apart from seasonal variations) after their rapid recovery during 1957. But the removal of controls led to an immediate increase in hire purchase sales of new cars, which rose in November to 60 per cent more than a year before. The corresponding rise in total sales however was only 23 per cent but is large enough to suggest that the relaxation of hire purchase controls has given a further stimulus which should maintain consumers' expenditure for some time at a higher level than in 1958. Hire purchase sales kept up in December.

<sup>(1)</sup>The proportion of hire purchase sales to total sales of new motor cars is only 20 per cent, but would probably be about twice as high if business purchases were excluded.

<sup>(2)</sup>See J. R. N. Stone and D. A. Rowe: 'Dynamic Demand Functions: Some Econometric Results,' *Economic Journal*, vol. LXVIII, no. 270, June 1958.



Purchases of motor cycles and scooters reached their post-war peak early in 1957, encouraged by petrol rationing. During most of 1958, both hire purchase sales and total sales were relatively depressed; but in October and November, after the removal of hire purchase controls, new registrations rose to twice the level of a year before.

Expenditure on radio and electrical goods regained peak levels in 1957, chiefly because of the boom in television. There was a further small increase after the reduction in purchase tax in the 1958 Budget. Sales, however, have been below the trend that might be expected from the rise of real income over the last four years and the reduction of hire purchase deposits in September had a relatively small effect on sales in October. But the sharp rise in manufacturers' deliveries of radio and television sets in October suggests that more substantial increases in retail sales are expected.

Sales of furniture and floor coverings also reached a new peak in 1957, which was maintained during the first three quarters of 1958. Here, too, the trend is considerably below that to be expected from the rise in consumer incomes. The removal of hire purchase controls in September was reflected in a rise of about 15 per cent in the volume of sales in October, compared with October 1957. Manufacturers' deliveries show even greater increases in October and November.

#### *Consumers' expenditure in 1959*

It is too early to assess the precise effect of the recent hire purchase relaxations. Judging by previous experience, expenditure on durables might for a while be increased by £100—£150 million a year at 1954 prices. But the effect of the relaxations is likely to tail off through the year; and it might, moreover, be interrupted if consumers postponed purchases in the hope that the Budget would bring tax reductions. The volume of expenditure on other goods and services also seems likely to expand. But if, as already argued, consumers' real incomes rise only moderately, this expansion is likely to be slow unless the Budget brings tax reliefs. Apart from this possibility, consumers' expenditure in total, taking durables and other items together, might therefore show very little increase in volume this year above its present level—perhaps no more than 1 or 2 per cent.

#### **Fixed investment**

The recent halt to the growth of fixed investment followed a period of major expansion. Since 1952, total fixed investment has risen in real terms by 40 per cent, reaching a plateau in mid-1957.

Only once before since the war has real fixed investment stopped rising. That was from 1950 to 1952, when investment was checked while defence expenditure was raised. In no post-war year so far has real fixed investment fallen. The expansion in investment after 1952 was fostered by the removal of restrictions, starting with the freer licensing of private house-building at the end of 1951, and by the fiscal and monetary incentives that were applied until 1955.

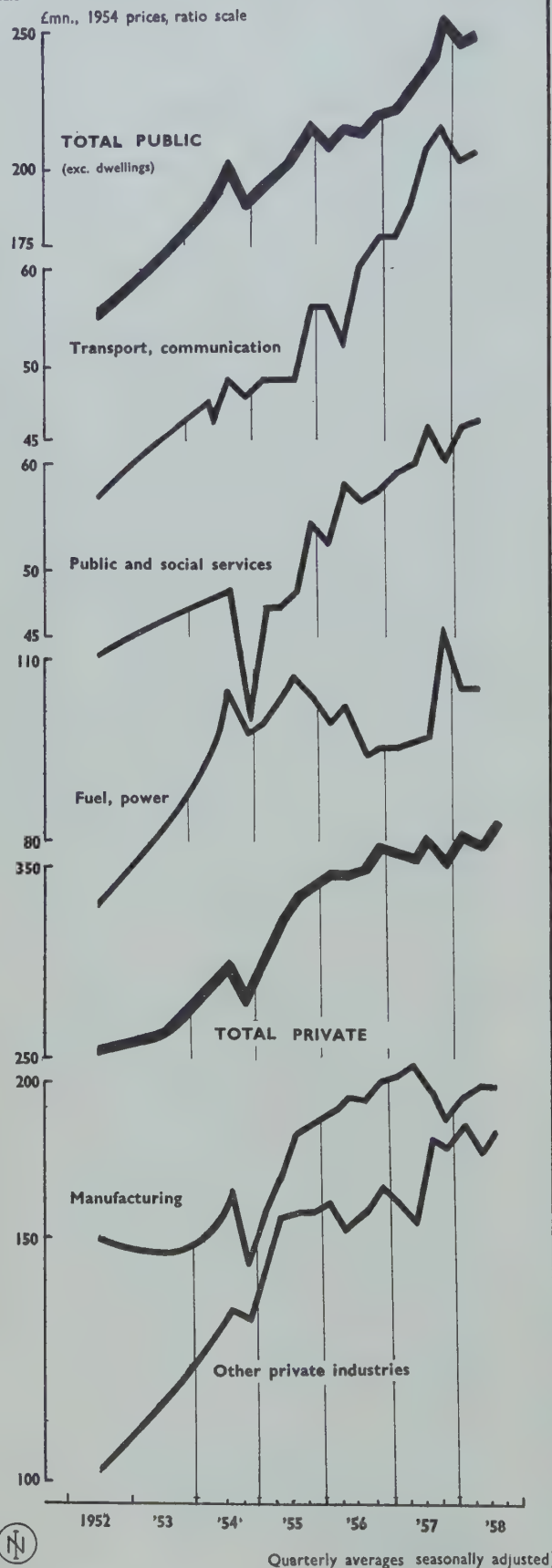
Although total investment rose continuously from 1952 to 1957, in successive phases the source of expansion shifted from one sector to another (see charts 5-7). First there was a rapid expansion in expenditure on new housing, which rose by £220 million (in 1954 prices) between 1951 and 1953. Local authority and private expenditure rose by equal amounts. In the next phase, from 1953 to 1955, the expansion was concentrated in private industry. Investment rose by £100 million in manufacturing, and by £160 million in distribution and other service industries previously subject to restrictions and in shipping. Expenditure by the nationalized fuel and power industries rose by £85 million. In the last phase, from 1955 to 1957, expansion was about equally spread between the private and public sectors. In the private sector, fixed investment by manufacturing industries again rose by £100 million, but investment in other industries rose by only £55 million; in the public sector, capital expenditure on rail and air transport and on schools and other public buildings rose, but there was no change in investment in the fuel and power industries until the end of 1957 when it began to increase again.

The momentum of expansion has, at least temporarily, been lost, and a decline in investment in manufacturing industry is now in prospect.

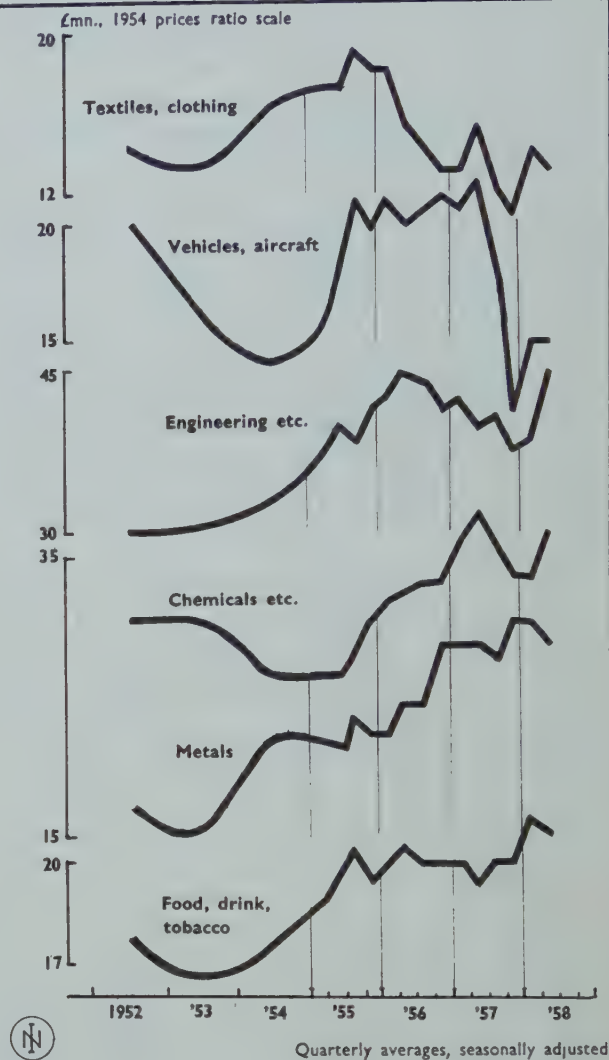
The check to the expansion of investment last year must result from decisions taken some time ago. Probably the most important factor depressing investment decisions has been the failure of output to rise significantly since the beginning of 1956. That must have depressed sales expectations and raised fears of surplus capacity. Expectations must also have been depressed by the fiscal and monetary curbs on investment, culminating in the increase in the Bank Rate to 7 per cent in September 1957. The increase in long-term rates of interest which accompanied the restriction of credit must also have played a part. The yield on industrial debentures, for example, rose from 4½ per cent to 6½ per cent between 1954 and the end of 1958. That may have deterred investment in assets of longer life such as factories, public utilities and houses—though the immediate limit to private housing was the shortage of building society funds, discussed later.



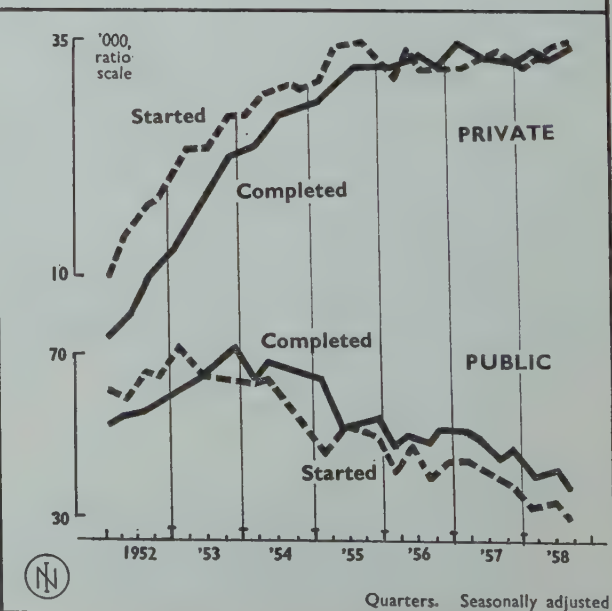
## 5 INVESTMENT :PUBLIC AND PRIVATE



## 6 INVESTMENT BY INDUSTRY



## 7 HOUSING



Sources : Investment, public and private : *Appendix table 7*. Investment by industry : *Board of Trade Journal*, adjusted to 1954 prices and seasonally adjusted by NIESR. Housing : *Monthly Digest of Statistics*, seasonally adjusted by NIESR.



Changes in the supply of companies' internal funds may also have had some effect. But it is clear that they can no longer have been a deterrent to investment after 1957: the liquid reserves of companies were drawn down between 1955 and 1957, when the increase in retained profits was more than matched by the increase in investment both in fixed assets and in stocks, but they were built up again in 1958.

In order to sustain the general level of fixed investment, the Government increased initial depreciation allowances in the 1958 Budget. During the year it relaxed credit and, in the autumn, it took steps to accelerate public investment. The following paragraphs assess the prospects for fixed investment in the light of a more detailed analysis of trends in different sectors.

### *Manufacturing*

The evidence of the changing trend in investment is clearest in manufacturing industry. Approvals of factory building began to rise in mid-1952 and went on increasing until the spring of 1955. Building starts followed, with a short-time lag. The peak in factory completions was not reached until the first half of 1957. Changes in actual expenditure on new buildings were naturally smaller: a major rise started only in 1954 and continued until the end of 1956, entailing an expansion of 50 per cent (at constant prices) in manufacturers' expenditure on building. By comparison, manufacturers' expenditure on plant and machinery rose by only 30 per cent from 1954 to its peak in 1957. It is consistent with past cyclical experience that fluctuations should be greater in factory building, which results in a long-lasting product, than in acquisitions of plant and machinery.

The rate of factory building in this boom has been extraordinary. Completions of new factories (including extensions) were as follows:

	<i>million square feet</i>		
1954	..	..	39
1955	..	..	42
1956	..	..	49
1957	..	..	53

Probably about another 50m. sq. ft. were completed in 1958. In total about 230m. sq. ft. of factory space have been built in five years. At a guess, these factories provide employment for 1 million persons. The closing of factories must have been relatively unimportant.

By the autumn of 1957, when the Government raised the Bank Rate and applied its last restrictions to public investment, the tide was already turning. Manufacturers' expenditure on building had begun to fall in early 1957 and expenditure on plant and machinery reached its peak in the second quarter of

1957. Total manufacturing investment, in real terms, has probably been slightly smaller in 1958 as a whole than in 1957<sup>(1)</sup>.

Manufacturers predicted in July 1958 a further fall of one-sixth (£135 million at present prices) in capital expenditure between 1958 and 1959—one quarter in factory building and one-eighth in equipment. With allowance for price changes, this must imply a fall of more than 20 per cent over the two years from 1957 to 1959. The likelihood of a decline of this order is confirmed by present trends in factory building and by our inquiries to individual firms.

In succession, different industries have reached their peak of investment activity (see chart 6). Investment has been falling in the textile industries since 1955. In the engineering industries (excluding vehicles) the trend was down from mid-1956; there was a marked increase in the second quarter of 1958, but this cannot be regarded as evidence of a recovery unless confirmed by later figures. Investment in the vehicles industry continued at a high rate from mid-1955 to mid-1957, but since then it has fallen significantly; the major expansion projects of the motor industry are now nearly completed. Up to the second quarter of 1958, investment in the metal manufacturing, chemicals, paper and rubber industries showed no signs of a decline. In the steel industry, investment is likely to go on rising in 1959, although the recent decline in steel consumption, and the changing pattern of demand, have led to a re-examination of the Iron and Steel Board's long-term programme and to some re-phasing of capital projects. In chemicals, the investment boom was characterised by a number of large projects taking a long time to plan and complete. Most of these have been finished or are nearing completion and it appears that fewer large individual schemes are at present in prospect. The situation is similar in the paper industry. Investment in the food, drink and tobacco industries, which has been high and steady for four years, is normally more stable than investment in other sectors, but even here demand for the industries' products has risen more slowly than was expected and has been outpaced by the growth of capacity.

### *Other private industries*

Investment in shipping and in agriculture has been relatively stable. The remaining private industries—the heterogeneous group of distribution and other service trades—contributed as much to the investment boom as manufacturing industry, and now spend

(1) There was a rise in real investment in plant and machinery in the third quarter of 1958; but that was entirely due to the iron and steel industry which tends to speed up its disbursements before the end of its accounting year in September.

more than half as much on investment as manufacturing. The building boom in the service industries started somewhat earlier than in manufacturing and gathered momentum faster. After the relaxation of controls, the volume of expenditure on building by this sector doubled between 1953 and 1957. There was a further rise in the first nine months of 1958. The inflow of new orders to builders has been falling, but there must still be a substantial backlog of work on order. In comparison, purchases of plant and machinery by the service industries, which are relatively small, have been rising only slightly since 1956. Purchases of road vehicles, on the other hand, rose rapidly until 1955, fell in 1956 and 1957, and rose to a new peak in 1958.

Forecasts by these industries of expenditure in 1959 have not yet been published by the Board of Trade. The distributive trades may well follow the general decline in the rate of investment in manufacturing. On the other hand, consumers' expenditure is the element of demand least affected by the recession and most readily stimulated by expansionary measures. Moreover, some items of investment expenditure by the distributive trades, such as expenditure on road vehicles, may have responded to the Government measures already taken. Hence, although there is considerable uncertainty, there is no basis for predicting much change in total investment in this sector.

### *Housing*

Since 1954 the slow rise in private expenditure on housing (15 per cent in four years) has not offset the fall in local authority housing (40 per cent of a larger initial figure). Private house-building has been virtually stable since mid-1955 but it has now begun to rise again. A further decrease in local authority housing is planned.

About three million houses have been completed since the end of the war and the number of dwellings is now about 25 per cent higher than in 1939, while the population is 8 per cent larger. The pressing physical need for more housing has thus considerably diminished. The restriction of credit has tended to restrain house-building in the last three years. Local authorities have been affected, not only by the high level of long-term rates of interest, which still continues, but also by the abolition of subsidies. The stability of private house-building in the last three years has been largely due to the shortage of building society funds which, in spite of higher rates of interest, have had to be rationed. When the general level of interest rates rose, building societies refused to raise their rates proportionately. In consequence, they could not compete with other outlets for funds, such as local authority mortgages, deposits with hire purchase companies and the newest

forms of national savings. Since the autumn of 1958 the general structure of interest rates has become rather more satisfactory to the building societies, and their intake of funds has risen.

Judging by the number of new houses started, the volume of expenditure by local authorities may fall by a further 10 per cent in 1959, that is, by about £25 million. The withdrawal of earlier Treasury restrictions may make little difference to the willingness of local authorities to embark on larger programmes. The number of new private houses started, however, began to rise again in the third quarter of 1958 and there was also a significant increase in work done. With the promised help from the Government to building societies, private expenditure on new houses may well increase enough in 1959 to offset the fall in public expenditure on housing (chart 7).

### *Public investment*

The cuts made in September 1957 in the capital expenditure of the public sector affected future plans but during the period of application they had little effect on actual expenditure. Expenditure reached its highest volume in the second half of 1957 and was maintained in the first half of 1958. By then the restrictions were gradually being abandoned and, in the autumn of 1958, positive steps were taken to encourage public investment again.

Investment by the Coal Board rose considerably in 1957 and, unlike previous years, the sums authorised are now being spent. In 1958 there was little change, but for 1959 a rise of 10-15 per cent (£10-15 million) seems likely. Expenditure by the electricity authorities also changed little in 1958, but a further rise of near 15 per cent (£40 million) seems likely. The long-term rate of increase for electricity has been revised downwards, partly because it has been found that there is greater scope for increased efficiency than was expected. These plans are unlikely to be much influenced by the easing of Government restrictions.

The railways were the first public industry to be released from restraint, and investment in 1958 is estimated at about 10 per cent more than in 1957. The capital programme of the railways is being speeded up considerably and a rise of up to 20 per cent or about £30 million is expected in 1959. A more rapid expansion would be difficult to achieve. Peak expenditure is now being reached and any acceleration of the programme brings its end nearer. The road building programme is well up to schedule. Expenditure is believed to have increased by £15 million in 1958 and should rise by at least as much in 1959.

These are large increases in the public investment programmes—substantially larger in total than the real increases from 1956 to 1957—and delays in planning may prevent them from being realised in full.



If they are achieved the nationalised industries' investment expenditure may go up in 1959 by about £80 million, while road building and other public construction (schools and hospitals) may rise by £20 million. But allowing for a decline in housing, the increase in total public capital expenditure would be only about £75 million (at present prices). This seems to be broadly consistent with the Chancellor of the Exchequer's recent estimate of an increase of £125-150 million between the fiscal years 1957/58 and 1959/60, if allowance is made for the fact that public expenditure was already higher in 1958 than in 1957, partly because of higher prices (which are included in the Chancellor's figure).

An increase in public investment of about £75 million between 1958 and 1959 would not offset the fall that is expected in private investment (a fall of £135 million in private manufacturing industry accompanied by little change in investment in other private industry and by some increase in house-building). On these estimates there would be a decline of 1 to 2 per cent in total fixed investment compared with the expected out-turn for 1958. But the uncertainty attached to the estimates is such that this change in the total is scarcely significant.

These estimates are based on the view that the measures so far taken by the Government are unlikely to induce much upward revision of industrial investment plans. Industrialists as yet have little reason to look forward to a substantial increase in production and decrease in spare capacity. Further Government measures could always change the picture, but they would influence investment expenditure only with some delay.

## Stocks

Fluctuations in the volume of stocks held at the various stages of production and distribution, which in total are equal to about half the gross domestic product, can have an important effect on the economy. Stock-building, or 'investment in stocks' adds to demand for the production or import of goods, while de-stocking reduces demand for production or imports. It is the change in the *rate* of stock-building or stock reduction that is important when assessing trends in demand. If the rate of stock-building increases, there is an increase in demand, and *vice versa*, but if the rate of stock-building (or stock reduction), however large, remains constant, the effect on demand is constant from one period to another.

In 1957 investment in stocks amounted to no less than £400 million (at 1954 prices). But by the middle of 1958 investment in stocks appears to have ceased. Provisional estimates of the national

accounts indicate that there was some disinvestment in stocks in the third quarter of the year. These changes in stock-building, as noted in chapter 1, were one of the main causes of the decline in total demand. Up to mid-1958, the reversal of stock-building of raw materials and foodstuffs—the main effect of which was to reduce imports rather than home production—accounts for a good deal of the apparent decline in total stock-building; but as it does not account for all the decline, it appears that there must also have been some decline in investment in stocks of home-produced goods during the first half of 1958. By the third quarter of the year, disinvestment in home-produced stocks appears to have begun, whilst disinvestment in stocks of raw materials and foodstuffs ceased.

The third quarter of the year is normally a period when investment in stocks is low, principally because stocks are drawn down during the holidays. But the change in the third quarter of 1958, shown by the provisional national accounts, was greater than usual. Moreover, there is much evidence that there was a significant change in investment in stocks in reaction to the slackening conditions of trade. The figures collected from manufacturers show that the volume of their stocks of finished goods and work in progress fell in the third quarter. The new statistics of stocks held by retailers show that although retail stocks were not reduced, the rate at which they were increased was much lower than before: from the first quarter of 1958 up to October, the last month for which figures are available, the volume of retail stocks has been 1 or 2 per cent higher than a year earlier whereas in 1957 these stocks were being built up at a rate of about 5 per cent.

It is impossible to trace at all precisely in which sectors of industry these changes in stock-building occurred. Manufacturing output generally was probably not much affected by the decline in stock-building until the middle of 1958. The reduction of steel stocks became important in the third quarter, and there is evidence that the accumulation of stocks of textiles eased off. But in the coal industry, and probably in some other industries too, reduced sales were still causing stocks to be accumulated at an abnormal rate in the last months of 1958, and the phase of stock reduction had not been reached.

The tendency to reduce stocks of home-produced goods may have continued in the last quarter of 1958, but the steadier course of industrial production since the autumn suggests that it was not greatly intensified. Once disinvestment slows down, or gives way to renewed investment in stocks, the depressing effect will be removed and there will be some stimulus to output, similar to that which has occurred recently in the United States.

The trend of business sales and business expectations are the main governing factors. Since there has been a revival in some items of demand in the fourth quarter, while credit has been eased and business expectations appear at least to have been stabilized, there is reason to hope that the stock adjustment will not be greatly prolonged in the economy as a whole. At the beginning of the year, there are likely to be further reductions of stocks in some sectors, but these may be offset by greater stability or increase in other sectors.

### **Government expenditure**

Expenditure by public authorities on goods and services, at constant prices, fell slightly (by about £100 million at 1954 prices, or 3 per cent) between 1956 and 1957, principally because of lower expenditure on defence, which was partly caused by the reduction in the forces. The information available suggests that this fall in expenditure in real terms was halted and possibly reversed during 1958. The chief uncertainty for 1959 is whether or not it is decided to increase defence expenditure substantially. The expenditure of local authorities, which represents less than one-third of the total, has been increasing at a rate of about £50 million a year (at 1954 prices) and present information indicates that a rise of this order will continue in 1959, largely because of increased expenditure on education. Total public authority expenditure on goods and services therefore seems likely to rise by at least £50 million at 1954 prices between 1958 and 1959, or more if the Government decide to spend more on defence.

### **The general outlook**

It is now possible to summarize the previous analysis of what might happen in the absence of any further Government measures.

The general level of demand probably stopped falling before the end of 1958 and is likely to rise gradually in 1959. Fixed investments will probably not change substantially in total, the expected decline in investment by private manufacturing industry being roughly offset by the planned increase in public investment. Expenditure on durable goods, which accounts for less than 10 per cent of total consumers' expenditure, has already increased sharply. The present burst of spending may last for some time, but it may tail off later in the year. Consumers' expenditure on other goods and on services is likely to rise only slowly, since real incomes are not expected to rise substantially. Hence the increase in total consumers' expenditure from present levels is likely to be gradual. Similarly the outlook abroad points to a gradual recovery in exports. Government current expenditure on goods and services will

probably rise too, the amount of the increase depending principally on whether defence expenditure is raised or not. With other types of demand stable or rising slightly, disinvestment in stocks may soon give way to renewed investment in stocks on a modest scale.

The effect on total output of these trends in demand would be small. During 1959 the gross domestic product (in real terms) is unlikely to rise much above the highest level it reached in 1957—a level only about 2 or 3 per cent higher than in 1955.

A less favourable outcome now seems fairly improbable. The main risks are that the improvement in exports since the autumn will prove to have been a temporary spurt—caused, for example, by an acceleration of deliveries—and that there will yet be some further decline; and, secondly, that disinvestment in stocks will be unexpectedly intensified and prolonged. But the improvement in the latest figures of industrial production, noted earlier, strengthens the view that the fall in total demand has ended.

On the other hand, demand might expand more buoyantly. Consumers' expenditure on non-durable goods might rise more rapidly than we expect, and fixed investment by private industry might fall less than was predicted by manufacturers last year. Even so, demand and output would probably not rise markedly above the 1957 peak, for there are not the makings of a rapid cumulative expansion. Excess capacity at home and the prospect of a hesitant recovery abroad militate against any large expansion either in fixed investment in private industry or in exports.

### *Industrial production and employment*

The decline in production in 1958 occurred almost exclusively in industrial production, which in the summer was about 3 per cent lower than the highest level reached in 1957. The recovery in demand foreseen here would not raise it significantly above that level. But employment would probably not recover much because higher industrial production is likely to be achieved first by increases in output per man. The prospects are best for the industries producing consumers' durable goods, which are already benefiting from the rise in home sales. The industries which have been suffering from the stock cycle—steel, for example, and other industries producing industrial materials—will experience some recovery in demand as excess stocks are run down. Industries producing capital goods will probably not experience much change in demand. The rise in public investment should broadly maintain building activity and will increase demand for certain types of equipment, for example railway equipment. But, since there is the prospect of a fall in investment by private industry



and at best only a small rise in exports, demand for other types of plant and machinery may remain weak.

### Conclusion

The problem facing the Government is how far demand in Britain should be stimulated by changes in the Budget or by other means. The main considerations to be weighed are well known.

The first consideration is the desire for expansion in order to raise living standards. That is the ultimate object of economic activity. The rate of expansion of production per head and of living standards in Britain since the war has been low compared with that achieved in many countries abroad that are at a similar stage of economic development. The Government's policy of encouraging investment in the period 1953-1955 was explicitly intended to accelerate the rate of expansion. But, as has been shown in this Review, the substantial increase achieved in the rate of investment has not yet borne fruit. Industrial production, according to the latest figures, is barely as high as it was in 1955. There is now a considerable margin of excess capacity in industry which, with present reserves of labour, should readily permit a rise in industrial production of 10 to 15 per cent in about two years.

There are, however, two other considerations that may inhibit the adoption of expansionary measures—the risk of rising prices, and the risk of balance of payments difficulties (which can occur even if prices are stable).

Expansion could probably be carried a considerable way without causing much increase in domestic costs. There is now substantial scope for increases in productivity which would both reduce the risks of renewed labour shortage and help to keep costs stable. The position in world commodity markets suggests that world prices of primary products—and hence British import prices—would not rise very sharply if expansion were resumed in the industrial countries. Hence, although the underlying problem of reconciling expansion with price stability has not been solved, expansion now might not disturb prices seriously. The aim must be to ensure that expansionary measures are not again applied repeatedly until the growth of demand outstrips the growth of productive resources.

### *The balance of payments*

The balance of payments risk is more complex. The surplus on the current balance of payments, as shown in chapter 1, must already have declined to some extent from the exceptional level in the first half of 1958. It may decline further, even if demand in Britain is not stimulated by further Government measures. The volume of imports is likely to rise

both because of the ending of stock-reductions and because of increases in the consumption of imports. The upward trend in imports of manufactures may continue, sustained by the relaxations of dollar import controls that have already taken place and by the further relaxations that are promised. On the other hand, exports are likely to rise less. The current surplus, which probably amounted to about £500 million in 1958 may therefore fall back in 1959 to more normal proportions, say £200—£300 million. A substantial part of the deterioration is likely to occur in transactions with the overseas sterling area.

Since it governs the movement of the gold reserves, the important issue is the balance of payments on current and long-term capital account of the whole sterling area with the rest of the world. Britain's balance with non-sterling countries may deteriorate somewhat, but, though the uncertainties are great, there seems no reason to expect a deterioration in the overseas sterling area's balance with non-sterling countries. If primary prices remain firm or rise slightly, and if the supply of capital is in the meantime maintained, there might be some improvement.

The stimulation of domestic demand by further Government measures would tend to worsen Britain's current balance of payments. But some temporary worsening of the balance of payments is an almost inescapable cost of expansion. A resumed growth of world trade, and, therefore, in overseas demand for British exports, cannot be expected unless the main industrial countries of the world, including Britain, first expand and, by buying more, increase the purchasing power of their trading partners, the primary producing countries. But there is then bound to be an interval before the primary producing countries buy more in return. In present conditions, however, the resulting deterioration in the balance of payments of Britain, and of other industrial countries, need not be violent. There could probably now be a considerable rise in the demand for primary products without a great increase in the general level of primary prices or any big change in the terms of trade.

The initiative rests with the industrial countries. Britain is such an important trading country that its internal policies have a substantial influence upon the course of world trade and activity. There is the risk that if Britain acted alone in adopting a policy of expansion and was not followed by other industrial countries, she might suffer a deterioration in her balance of payments with them as well as with the primary producing countries. But in the United States there has already been a considerable recovery in demand. It is true that on the Continent the forces of expansion are so far weak, but there, too, expansionary measures may be introduced in coming budgets. The chances of this might be improved by

British initiative. Moreover, Britain has special advantages in that, through the pooling of reserves in the sterling area, a deterioration in her balance of payments during an up-swing in international trade tends to be partly compensated by the gain to the exports and reserves of the primary producing countries in the sterling area.

### *The impact of convertibility*

The formal introduction of convertibility, following a long period in which there has been *de facto* convertibility through the market for transferable sterling, will not have much effect on the current balance of payments. The misgivings expressed about convertibility arise because it reduces the defences against speculative movements and against any persistent disequilibrium in international trade.

Convertibility will tend to accelerate the ending of discrimination against dollar goods abroad. Hence it may both increase competition against British exports and cause purchases to be diverted to the United States. But since discrimination has already been widely relaxed both in the sterling area and outside it, this effect is likely to be fairly small. On the other hand, convertibility is also expected to increase the City's invisible earnings from financial and entrepôt transactions. Earnings from these transactions are now equal to only about 2 per cent of the value of Britain's total foreign earnings, so that it would take a very large increase to have a noticeable effect on the balance of payments.<sup>(1)</sup>

The main significance of convertibility lies in its influence on the behaviour of the Government and monetary authorities. If, as it so far seems, the reaction of confidence is favourable, there may be some further inflow of funds to London. That would raise the reserves. But short-term funds can always flow out again and on that account the authorities may feel more inhibited than before about running risks. On the other hand, the planned increase in I.M.F. quotas and in the resources of the I.B.R.D. will increase liquidity, while the effects of the abolition of the E.P.U. will be offset, in part at least, by the introduction of the European Monetary Agreement. These changes should give more room for manoeuvre.

<sup>(1)</sup>The City's total invisible earnings from abroad were officially estimated at £125 million in 1956. A private estimate put the figure at nearer £150 million. Of this larger total, however, £70 million was attributed to insurance earnings, which are unlikely to be affected significantly by convertibility, and £15—£20 million was attributed to shipping brokerage, which is also unlikely to benefit much. The remaining items, more likely to be affected by convertibility, were merchanting (£30 million), and banking (£25—£30 million). Earnings from foreign exchange dealing were estimated at £2—£3 million and earnings from the bullion market at £½ million. See William M. Clarke, *The City's Invisible Earnings*, The Institute of Economic Affairs, 1958, especially page 93.

But the anxiety of the authorities to preserve convertibility may lead them to adopt a cautious attitude to expansionary measures. Moreover now that convertibility has been granted to foreigners there may be demands from the City and other sections of the public for the further relaxation of exchange control. Concessions in that direction would add to the risks of expansion. There is a conflict between domestic expansion and greater freedom of foreign payments.

### *The pattern of expansion*

To secure an immediate stimulus to demand and production, the Government need look no further than to reductions in direct or indirect taxes which would increase consumers' expenditure. That would be the quickest way of creating expansion. Moreover, by selecting appropriate tax concessions to consumers, it would be possible to place the emphasis on raising real wages so as to moderate subsequent demands for higher money wages. But it is necessary to consider not only the most effective way of inducing an immediate rise in output, but also the need to improve productive efficiency and to strengthen the balance of payments.

It is difficult to find means of increasing exports, except by general measures to increase efficiency. But until expansion gets under way, there is a case for continuing to encourage overseas lending so as to sustain the purchasing power of countries in the sterling area or elsewhere whose foreign earnings have been depressed. Once expansion starts and imports from those countries rise, however, greater caution may be needed to ensure that the foreign balance is not over-burdened.

Both for the sake of long-term expansion and the growth of exports, a high rate of investment will be required. The analysis in chapter 1 suggests that there may be a general excess of capital capacity in relation to the labour supply. Since the working population rises slowly it may now be necessary to seek means of encouraging the replacement of old equipment by new labour-saving equipment, rather than the extension of the stock of capital.

But, however desirable it may be to increase the level of labour-saving and cost-reducing investment, it is improbable in present circumstances that measures to stimulate private investment would meet with much response; an increase in other forms of final demand, and firmer confidence in the general expansion of output, are probably needed first. Even then, investment expenditure would respond with some delay.

There must, however, still be scope to promote the expansion of public investment and of investment subject to Government influence in basic industry and



services, such as fuel, steel and roads. Capacity in these industries cannot be expanded quickly. Since the war the expansion of national output has been recurrently hampered by inadequate capacity in these sectors, and there is often a tendency, as a result of temporary depression, to under-estimate the long-term prospects for demand. Higher investment now could

ensure that expansion is not again hindered for these reasons two or three years hence. This is also an opportunity for more investment in social assets, such as hospitals, education and prisons, and for other social improvements, such as smoke prevention, which may add just as much to public welfare as increases in personal consumption.



## THREE NEW PRICE INDICES

Three new commodity price indices have been compiled by the National Institute and appear in table 20 of the Statistical Appendix (page 50). Their purpose is to give an early (but necessarily rough) indication of current price movements in three trade flows :

- (a) in United Kingdom imports, with sub-indices for food and tobacco, industrial materials and fuel,
- (b) in the exports of the overseas sterling area,
- (c) in the exports of primary producing countries in total.

The indices are compiled from commodity prices as quoted in various markets, weighted according to the importance of each commodity in each of these three trade flows. It is in this weighting that they differ from other indices compiled from price quotations in commodity markets. They also differ from the price indices compiled in several countries from trade figures for the physical movement of goods, in particular from those calculated by the Board of Trade for United Kingdom import prices and for overseas sterling area export prices ; these two indices record prices of goods arriving, or shipped, in a particular period, not prices quoted in the period. Our indices, therefore, indicate well in advance of other information the probable effect of current price changes on the United Kingdom import bill and on the export incomes of sterling and other primary producing countries.

Our indices of current United Kingdom import prices, being based on up-to-date market quotations, should serve as a guide to movements that will occur in the Board of Trade's import price index some

months later, when the goods concerned actually arrive in this country. The two indices are compared in chart 8 (page 34). Our indices of export prices of primary producing countries are compiled some months before any index of export prices could be calculated from the trade statistics of the countries concerned.

As they are based on publicly quoted prices, however, our indices cannot be comprehensive. Generally, the commodities represented are those which are likely to fluctuate most in price. The commodities for which prices are not publicly quoted are largely processed goods, whose prices tend to be relatively stable. Hence our indices tend to show more marked fluctuations than are shown by more comprehensive indices.

Many of the commodities appear in each of the three indices. The differences between the three are due chiefly to the differing importance of particular commodities in the composition of the three trade flows. For example, the price of natural rubber appears in all of them. But its weight in the United Kingdom import price index (based on the London price) is 2.6 per cent ; in the overseas sterling area export price index (based on the Singapore price), 8.4 per cent ; and in the primary producing countries' export price index, 7.3 per cent. Hence a change in the price of rubber will have different effects on the values of the three trade flows.

The commodities, quotations and weights used in each of the indices are shown in table 14. In most instances, the index is based on four weekly quotations in each month.

### INDEX OF CURRENT UNITED KINGDOM IMPORT PRICES

*Coverage.* This index, which covers in total about two-thirds of United Kingdom imports, is based on 115 market price quotations. The commodities covered account for about three-quarters of United Kingdom imports of foodstuffs, beverages, tobacco, basic materials and fuel (classes A, B and C in the Trade Accounts) ; they cover only about one-third of class D (manufactures), but over 40 per cent of the industrial materials (non-ferrous metals, iron and steel and some other semi-manufactures) included in that class. The goods omitted from the index altogether are principally the finished manufactures within class D ; since the unit values of the latter have been rising fairly consistently over the past three years, our index has a significant bias. It serves, however, as an early guide to substantial movements in the more sensitive prices affecting the United Kingdom's import bill. Since this is the main use of the index, it has been calculated only from July 1956.

*Base period.* The indices have fixed weights, the weights being proportional to the value of the imports of the commodities in 1957 as recorded in the Trade Accounts ; market prices quoted during the period October 1956 to September 1957 are taken as 100, since quotations in this period should correspond approximately with the prices of goods recorded in the Trade Accounts as arriving during the calendar year 1957.

*Valuation.* Where possible, c.i.f. prices have been used. In some cases, however, f.o.b. or f.a.s. (free alongside ship) prices had to be taken, and an index of shipping costs has been added, weighted by the average share of freight and insurance in 1957 in the c.i.f. import values of the commodities quoted f.o.b. or f.a.s.

*Treatment of oil.* Oil and oil products are the most important items for which c.i.f. prices are not available. For these products, posted prices f.o.b. the Persian Gulf and Caribbean have been taken together with an average of tanker freight rates and with a special surcharge during the Suez crisis.



*Comparison with Board of Trade Index.* In chart 8 the various sections of our index are compared with the corresponding Board of Trade indices of United Kingdom import prices; the latter are derived from the average values in the Trade Accounts, weighted by 1954 imports. The comparison suggests that our indices in fact give some months' warning of significant turning points in the more comprehensive Board of Trade indices.

Our index for 'industrial materials' includes the prices both of basic materials (class B of the Trade Accounts) and of certain semi-manufactures for which market quotations are available: metals, plywood and newsprint, which are included in manufactures (class D) in the Trade Accounts. Only the basic materials can be compared directly (as is done in section c) of the chart) with the Board of Trade's price index. The semi-manufactures, however, carry only one quarter of the weight for industrial materials as a whole and do not much affect its movements.

In section e) of the chart, the prices of semi-manufactures in our index are compared with a unit value index for all semi-manufactures (class D, 1-13) derived from the revaluation of imports at constant prices made quarterly by the Board of Trade; the commodities in this group for which market quotations are available have recently been more volatile than the others.

No market price quotations are available for finished manufactures (class D, 14-23 in the Trade Accounts), and these are omitted from our index. A unit value index for finished manufactures, derived from the revaluation of imports at constant prices made quarterly by the Board of Trade, is shown in section f) of the chart; prices in this group have been rising fairly consistently. Thus, when prices of most sensitive foods and industrial materials were falling, as in 1957 and early 1958, the effect on the Board of Trade index was significantly damped by the rising trend of prices of finished manufactures. If prices of the sensitive commodities should rise sharply, our index would probably show a greater movement than the Board of Trade overall index. Stability in our index (as in recent months) might be consistent with a slight rise in the Board of Trade index because of a continued rise in the prices of finished manufactures.

#### PRIMARY PRODUCING COUNTRIES : EXPORT PRICE INDICES

*Coverage.* The commodities represented in these indices covered the following proportions of the total exports of the countries concerned in 1954-56:

	Percentage of total exports	
	(excluding oil)	(including oil)
Overseas sterling area	73	62
Latin America	83	63
Other primary producers	66	47
All primary producing countries	74	59

The groups of countries are described in the notes on page 51.

*Crude oil and products* have been omitted entirely from these indices. This is because recorded changes in oil prices are a poor guide to the changes in income of the producing or refining countries.

*Gold* has been included throughout.

*Base period.* The indices have fixed weights, the weights being proportional to the value of exports of the commodities concerned in the three years 1954-56. The indices are quoted on the time-base 1954=100.

*Valuation.* So far as possible, f.o.b. valuations have been used for these indices, since these are more closely related to the incomes received by the producing countries. For many commodities (over half of the total weight) it has been necessary to use c.i.f. or f.a.s. prices, but changes in the proportion of freight would not substantially affect the result.

*Choice of prices.* The prices used are those ruling on international markets, in preference—where a difference exists—to the prices actually received by the producers, since changes in world market quotations are generally a better guide to the effect of price movements on the foreign exchange income of the producing country.

*Comparison with other export price indices.* The Board of Trade has published (*Board of Trade Journal*, 4th July 1958) a comprehensive index of export prices of the overseas sterling area up to the fourth quarter of 1957. This index is based principally on the price indices compiled in the individual countries and derived from their own trade statistics (but using a few market quotations—for instance, for Australian and New Zealand wool). The Board of Trade index excludes Middle East oil and thus, like our index, effectively omits oil from its coverage; unlike our index, it excludes gold.

Our index can be brought up to date more quickly, and it may show turning points rather sooner than the Board of Trade's. It does, however, appear to fluctuate more; this may be due to the stabilising influence of the excluded commodities for which market quotations are not available.

Export price indices (currently weighted) for primary producing countries as a whole and for regional groups are also published quarterly in the *United Nations Monthly Bulletin of Statistics* and in *International Financial Statistics*. Some of these indices are based on the various national indices and others on quoted market prices. They are, however, not available until four months or more after the period to which they refer.

To show more precisely how commodity price movements can affect United Kingdom exports, the experiment was made of attaching to each commodity an alternative weight based on United Kingdom exports to the producing country. Any difference between such an index and the index already described should indicate whether a particular pattern of changes in commodity prices, because of its incidence on different countries, is relatively favourable or unfavourable to those primary producing countries which are Britain's chief export markets. The comparison showed, however, so little difference between the results of the two alternative sets of weights that it has not been pursued. The point will be watched in case any significant difference should emerge in future.

## 8 NATIONAL INSTITUTE AND BOARD OF TRADE IMPORT PRICE SERIES

— = National Institute Index of sensitive import prices  
(average Oct. 1956—Sept. 1957 = 100)

- - - = Board of Trade import prices index (1954 = 100)

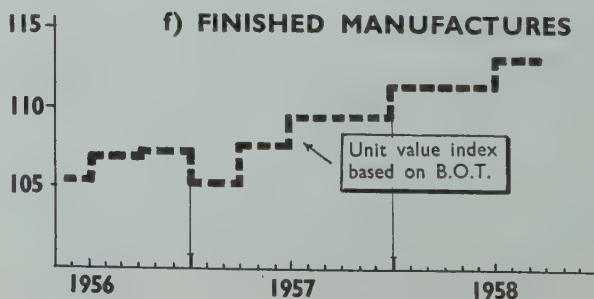
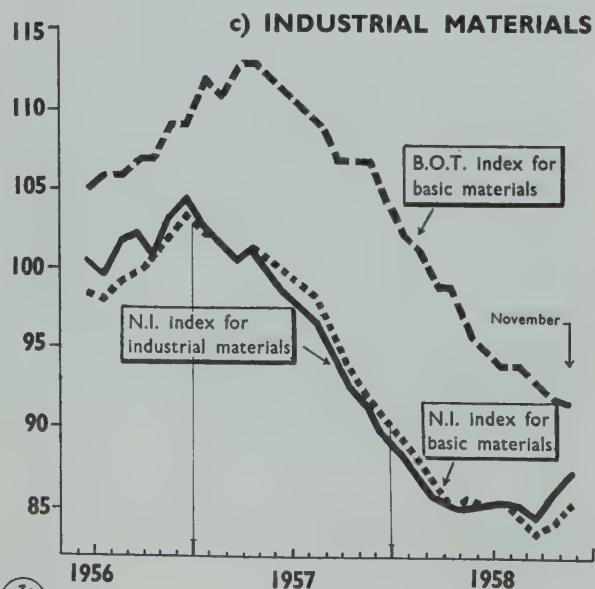
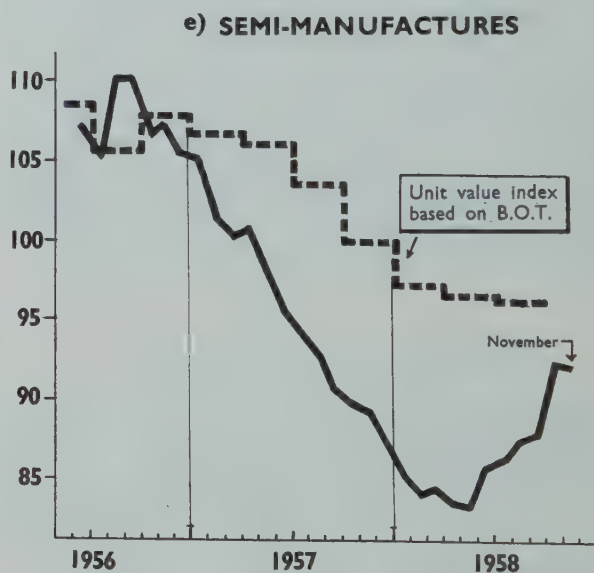
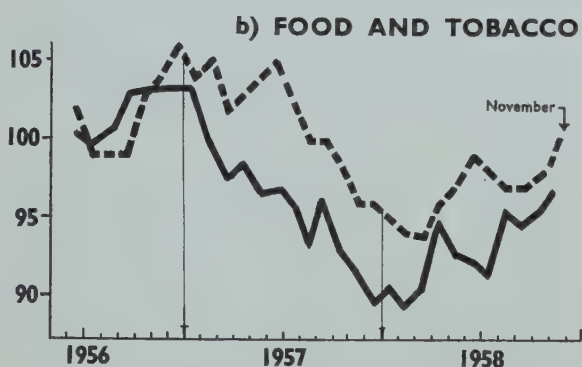
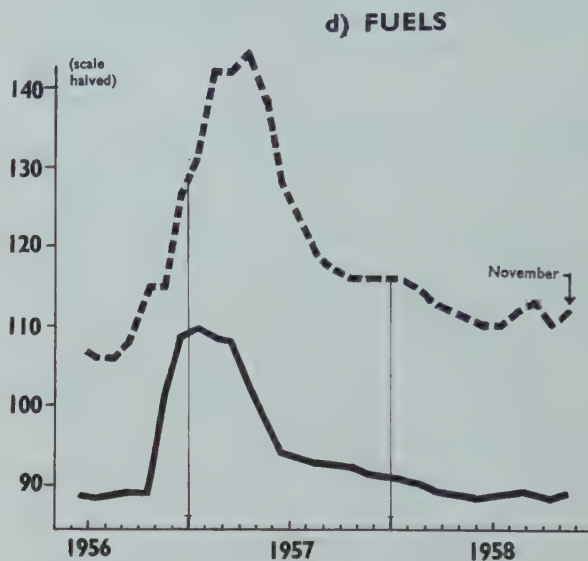
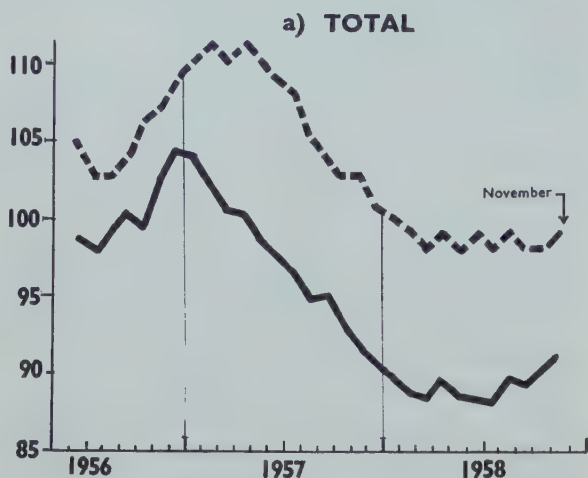




Table 14. Commodities and weights used in the current price indices

Weight per 1,000

weight per 1,000

Commodity	Quotation (origin and market)	U.K. import prices <sup>(a)</sup> (c.i.f.)	Primary producing countries : export prices (f.o.b.) <sup>(b)</sup>			
			Overseas sterling area	Latin America	Other	Total
<b>Food and Tobacco</b>						
Beef	Australian and Argentine, London	24	14	25	—	14
Lamb	New Zealand, London	25	21	5	—	11
Bacon	Danish, Polish and Dutch, London	30	—	—	—	—
Butter	Australian and New Zealand, London	20	29	2	—	14
	Danish, London	17	—	—	—	—
Wheat	Australian, Wheat Board	8	15	—	—	7
	Canadian and U.S., f.o.b.	25	—	—	—	—
	Argentine, c.i.f.	6	—	44	16	18
Rice	Burmese and Thailand, f.o.b.	1	30	2	65	28
Barley	Canadian and Iraqi, c.i.f.	8	7	6	14	8
Maize	U.S., Argentine and South African, c.i.f.	15	8	13	5	9
Fresh fruit	13 quotations <sup>(c)</sup>	28	14	43	62	34
Raw sugar	Commonwealth Agreement contract	34	26	—	—	12
	Cuban, f.o.b.	17	11	110	72	58
Coffee	Brazilian and Colombian, New York	2	5	368	11	127
	Uganda and Angolan ; Mombasa, New York	4	11	—	76	22
Cocoa	West African, London and New York	8	40	—	29	24
	Brazilian, New York	—	1	31	—	11
Tea	Indian and Ceylon auction prices, f.o.b.	39	78	3	13	38
Oilcakes	4 quotations <sup>(d)</sup>	7	1	2	—	1
Other food	5 quotations <sup>(e)</sup>	18	31	5	4	17
Tobacco	Rhodesian, auction price	10	16	—	16	10
	U.S., auction price	21	—	13	—	4
<b>Industrial Materials</b>						
Oilseeds and nuts	5 quotations <sup>(f)</sup>	16	30	1	77	31
Rubber	Malayan c.i.f. and f.o.b. and Indonesian, f.o.b.	26	84	1	160	73
Softwood } Hardwood }	Board of Trade wholesale price	48	—	—	—	—
	index for imports	11	9	15	26	15
Woodpulp	Scandinavian, c.i.f.	30	—	—	—	—
	U.S. and Canadian, f.o.b.	8	—	—	—	—
Raw wool	Australian, New Zealand, and South African, auction prices, country of origin	57	186	—	—	82
	Argentine, Boston	7	—	49	8	18
Cotton	U.S., New York	20	14	72	52	42
	Other, c.i.f. Liverpool <sup>(g)</sup>	15	22	22	116	43
Other textiles	4 quotations <sup>(h)</sup>	10	31	4	16	19
Iron ore	U.K. average arrival prices	37	—	—	—	—
Oils and fats	7 quotations <sup>(i)</sup>	18	22	6	39	20
Steel	4 quotations <sup>(j)</sup>	16	—	—	—	—
Aluminium	U.K. import price	14	—	—	—	—
Copper	L.M.E. and U.S. import prices	39	50	81	61	63
Lead	L.M.E.	6	15	19	7	15
Tin	L.M.E. and Singapore prices	3	23	9	30	20
Jute						
manufactures	Hessian, Calcutta f.o.b.	—	38	—	—	17
Gold	London fixing	—	85	10	10	43
Other materials	15 quotations <sup>(k)</sup>	54	33	39	15	32
<b>Shipping Freights</b>	Tramp shipping, voyage and time charter	37	—	—	—	—
<b>Petroleum and Refined Products</b>	18 quotations <sup>(l)</sup>	161	Excluded from calculation			
		1,000	1,000	1,000	1,000	1,000
<b>Coverage (in percentage of total)</b>		66 <sup>(m)</sup>	73	83	66	74
<b>Value of total, £mn.<sup>(n)</sup></b>		4,076	3,409	2,242	1,856	7,507

(a) Weighting base : 1957 imports.

(b) Weighting base : 1954-56 exports.

(c) Oranges (2 quotations), bananas, apples (4), pears, nuts, sultanas (2) and tomatoes (2).

(d) Groundnut, linseed, sunflower seed and soya bean cakes.

(e) Live cattle, cheese, wheat flour (2 quotations) and lard.

(f) Groundnuts, copra (2 quotations), palm kernels and soya beans.

(g) Egyptian (2 quotations), Sudanese, Peruvian and Pakistani cotton.

(h) Jute, sisal, Manila hemp and flax.

(i) Whale, linseed, groundnut, palm, coconut and castor oils and tallow

(j) Steel plates, sheets, joists and channels, 2 quotations from U.S. and 2 from E.C.S.C.

(k) Cattle hides (3 quotations), sheepskins, synthetic rubber, pyrites, iron and steel scrap, tungsten ore, plywood, newsprint (2), nickel, zinc, cobalt and silver.

(l) F.o.b. prices of crude oil from the U.S., Venezuela and 5 Middle East countries, and of refined products (motor spirit, gas/diesel oil, fuel oil, kerosene and lubricants) from the U.S., Venezuela, Iran, and the Netherlands Antilles. Tanker freights based on the Average Freight Rate Assessment of the London Tanker Brokers' Panel, with a special surcharge during the Suez crisis.

(m) Food and tobacco : 70 per cent ; basic materials : 80 per cent ; fuels : 93 per cent ; semi-manufactures (Divisions 1-13 of class D of the Import List) : 44 per cent ; finished manufactures (rest of class D) : nil.

(n) U.K. imports : c.i.f. 1957. Exports of primary producing countries : average of the years 1954-56, excluding petroleum, f.o.b.

## IMPORTS AND STOCKS

In some post-war years, stock changes, through their effect on the level of imports, have been a major cause of balance of payments fluctuations. They have been important again during the past year (see page 5). From statistics of supplies, disposals and stocks of individual commodities, we have therefore tried to separate changes in imports due directly to stock changes from those due to changes in the actual usage of imported commodities. The resulting figures of stock changes are given in table 11 of the Statistical Appendix, where they can be compared with figures of imports.

No such calculation can be completely satisfactory. First, the information which can be derived about stock changes is far from comprehensive; estimates can however be made for commodities accounting for nearly two-thirds of the value of total imports. Secondly, the available records of stocks and 'consumption' of particular commodities often refer only to stocks in the early stages of distribution and processing: to stocks held by importers but not by users, or to deliveries to primary processing industries, not their actual consumption. Clearly changes in stocks at all stages of manufacture and distribution may affect imports; the coverage of the statistics varies from one commodity to another. Thirdly, many of the commodities which make up our imports are also produced at home (e.g. wheat, wool, timber). For a few of them (e.g. wheat, meat, softwood) the published statistics of stocks are divided between home-produced and imported supplies; for the others it is necessarily implied in these calculations that the whole of the stock change can be regarded as influencing the level of imports; that is, that imports are marginal, not home production. This assumption is not necessarily true. Fourthly, the calculations cover only those commodities which are principally imported. They exclude, in particular, coal and steel. It is true that important marginal supplies of coal and steel were imported, especially in 1955 and 1956, and there was at the same time a substantial rise in consumers' and merchants' stocks of steel; but the stock movements were very large in relation to imports and cannot be wholly associated with them. All these qualifications must be kept in mind in interpreting the figures. They should be regarded as only a first approach to identifying the importance of stock movements in short-period fluctuations of imports.

The method employed is (a) to estimate changes, in physical units, of the stocks of each of the commodities which are mainly imported; (b) to adjust the import statistics of each commodity for a given period by subtracting stock increases, or adding stock

decreases, so as to arrive at an estimate of the apparent consumption in physical units; (c) to apply average prices to the estimates in physical units, so as to arrive at aggregate estimates, in constant and current prices, of stock changes and of consumption of all the commodities covered. The method broadly follows a series of estimates for the period 1946-55 made at the National Institute by Mr. M. F. G. Scott; as the coverage of the information available for later years has changed, however, different methods have been used in a number of instances. Since Mr. Scott's paper was written, regular statistics of petroleum deliveries have made it possible to include petroleum in the calculation; this is the main reason for the differences between Mr. Scott's results and those presented here. Mr. Scott's estimates also made use of more comprehensive information about stocks of foodstuffs than that regularly published.

### Method of estimating stock changes

For many of the principal commodities, there are two possible ways of estimating the stock change in physical units: (a) by using published figures of stocks and (b) by estimating the stock change indirectly as the difference between imports and production on the one hand and home consumption and exports on the other. These two methods rarely give exactly the same result. Generally, when a choice exists, the latter, or indirect, method has been preferred, partly because many of the published stock statistics exclude Government stocks; and partly because it seems reasonable to suppose that data about consumption or deliveries are likely to be more complete than data about stocks. For a few commodities (e.g. hides, meat) there are statistics of stocks but not of consumption or deliveries. For other more important commodities (in particular, most foodstuffs and petroleum) statistics of supplies and disposals, but no direct statistics of stocks, are published. A list of the commodities covered is given in table 16.

The stocks, as measured in physical units, have throughout been valued at average c.i.f. unit values as recorded in the Trade and Navigation Accounts, both at constant 1954 prices for comparison with the volume of imports, and at the average prices current in each year for comparison with the current value of imports and thus with changes in the balance of payments.

The estimates have been made for each year since 1950 and are now being compiled on a quarterly

(1) 'Changes in Stocks of Mainly Imported Goods in the United Kingdom', *Bulletin of the Oxford Institute of Statistics*, vol. 20, no. 1, February 1958.



basis. It should be noted that the data for half-years and quarters given in table 11 of the Statistical Appendix do not necessarily add up to the yearly figures: the yearly figures include annual revisions to monthly figures previously published in the Trade Accounts, which cannot be allocated within the year.

Estimates are made of changes in stocks of commodities making up nearly two-thirds of total U.K. imports, as follows:

*Percentage of 1957 imports covered by stock estimates*

Food, beverages and tobacco	..	..	..	65	
<i>of which</i>					
Food and beverages	..	..	..	63	
Tobacco	..	..	..	98	
Basic materials	..	..	..	80	
<i>of which</i>					
Textile materials	..	..	..	88	
Fuels	..	..	..	93	
<i>of which</i>					
Petroleum and products	..	..	..	98	
Semi-manufactures (class D, 1-13)	..	..	..	44	
<i>of which</i>					
Non-ferrous metals	..	..	..	93	
Finished manufactures (rest of class D)	..	..	..	Nil	
Total imports	..	..	..	64	

Stocks of the commodities covered by our estimates probably amounted (at the end of 1957) to about £1,500 to £1,600 million c.i.f. The figure is, of course, small in relation to the total of all stocks and work in progress held in the United Kingdom (about £9,000 million in book values at end-1957) but it covers most of the stocks which are strategic from the point of view of the balance of payments.

### Consumption of imports

The importance of stock fluctuations year by year, in relation to the volume of imports, can be seen from table 17. The figures of imports in this table are

confined to the commodities for which estimates of stock changes have been made.

The large rise in imports in 1951, in particular, was predominantly the result of the rebuilding of stocks, after a period in which they had been run down; so was the rise in imports in 1957. Again, the fall in the volume of imports in early 1958 hid an increase in the consumption of imports (especially of food), offset by a change from rising to falling stocks.

In 1954 and 1955 also, there were very substantial increases in the consumption of imports. In 1954 the rise of imports was offset, as in 1958, by the cessation of stock-building. In 1955 only a small part of the increase in imports was due to the stock changes identified here; but in fact another part of the rise was the result of large imports of steel, accompanied by a substantial rise in steel stocks.

In table 15 stock changes are shown in current values and compared with other factors influencing changes in the total *value* of imports. For this table, the change in imports from each year to the next (and from the first half of 1957 to the first half of 1958) has been roughly divided between changes in volume, which have been expressed in terms of the prices of each period, and changes in prices. The figures for stocks in this table show the changes in stock-building (not the direct change in the level of stocks), valued at the prices of each period.

Changes in stock-building have been about as important since 1953 as changes in import prices in influencing the level of imports. Moreover in each period, except 1956, falling import prices were accompanied by a fall, and rising import prices by a rise in stock-building. In 1956, the small rise in import prices came only at the end of the year, at the time of the Suez crisis.

**Table 15. Changes in imports and stock-building**

*£ million at current prices*

	1951	1952	1953	1954	1955	1956	1957	1958 <sup>(a)</sup>
Change since previous year .. ..	+1295	-427	-135	-31	+512	+3	+186	-254
in total imports								
<i>of which, due to prices</i> .. ..	+970	-85	-370	-71	+114	+48	+66	-183
<i>due to volume</i> .. ..	+325	-342	+235	+40	+398	-45	+120	-71
in stock-building .. ..	+249	-45	+5	-109	+30	-61	+154	-101

(a) First half of 1958 compared with first half of 1957.

Table 16. Commodities included in estimates of stock changes

<i>Food, beverages and tobacco</i>	<i>Basic materials</i>	<i>Semi-manufactures</i>
Wheat (imported only)	Cotton	Aluminium <sup>(a)</sup>
Wheat flour <sup>(a)</sup>	Wool	Copper unwrought
Maize <sup>(a)</sup>	Hard hems	Tin metal
Sugar <sup>(a)</sup>	Jute	Lead
Molasses	Softwood (imported only) <sup>(a)</sup>	Slab zinc
Meat (imported only, 6 categories) <sup>(b)</sup>	Hardwood (imported only) <sup>(a)</sup>	Jute manufactures (imported only) <sup>(a)</sup>
Bacon <sup>(a)</sup>	Woodpulp	Plywood <sup>(a)</sup>
Butter <sup>(b)</sup>	Esparto	Newsprint
Cheese	Natural rubber	Other paper and board <sup>(a)</sup>
Oilcakes <sup>(a)</sup>	Synthetic rubber	
Tea <sup>(a)</sup>	Sulphur	
Cocoa <sup>(a)</sup>	Pyrites	<i>Fuel</i>
Coffee <sup>(a)</sup>	Vegetable oils <sup>(a)</sup>	Crude oil <sup>(a)</sup>
Tobacco <sup>(a)</sup>	Whale oil <sup>(a)</sup>	Petroleum products (5 categories) <sup>(a)</sup>
	Oil seeds	
	Phosphate rock	
	Sheepskins <sup>(b)</sup>	
	Cattle hides <sup>(b)</sup>	
	Calf-skins <sup>(b)</sup>	
	Iron ore	
	Tin ore	

(a) For these commodities, deliveries to consumers are treated as consumption in estimating stock changes.

(b) For these commodities, direct statistics of stocks are used. For all others, stock changes are estimated from statistics of supplies and of consumption or disposals.

Table 17. Volume of imports, stock change, and consumption of imports : selected commodities <sup>(a)</sup>

£ million, constant 1954 prices

	1950	1951	1952	1953	1954	1955	1956	1957	1957		1958
									1st half	2nd half	1st half
<b>Food and beverages</b>											
Imports	727.3	712.4	691.6	805.0	763.3	817.3	846.2	895.0	482.8	414.8	458.9
Stock change	-63.9	+27.0	+24.6	+32.7	-13.0	-28.0	-6.4	+20.8	+47.0	-24.7	-3.0
Consumption of imports	791.2	685.4	667.0	772.3	776.3	845.3	852.6	874.2	435.8	439.5	461.9
Index 1954=100	101.9	88.3	85.9	99.5	100.0	108.9	109.8	112.6	112.3	113.2	119.0
<b>Tobacco</b>											
Imports	74.0	85.9	54.1	76.4	75.4	83.2	77.0	77.2	23.1	54.1	22.6
Stock change	+7.4	+14.7	-16.4	+5.7	+4.4	+10.1	+4.1	+2.9	-14.0	+17.1	-15.5
Consumption of imports	66.6	71.2	70.5	70.7	71.0	73.1	72.9	74.3	37.1	37.0	38.1
Index 1954=100	93.8	100.3	99.3	99.6	100.0	103.0	102.7	104.6	104.5	104.2	107.3
<b>Textile materials</b>											
Imports	335.1	284.0	277.4	337.2	309.3	302.0	302.7	312.3	183.8	129.2	152.6
Stock change	-46.1	-33.7	+10.6	+8.2	-16.4	-17.5	-11.3	-3.3	+5.3	-7.8	-0.1
Consumption of imports	381.2	317.7	266.8	329.0	325.7	319.5	314.0	315.6	178.5	137.0	152.7
Index 1954=100	117.0	97.5	81.9	101.0	100.0	98.1	96.4	96.9	109.6	84.1	93.8
<b>Petroleum and products <sup>(b)</sup></b>											
Imports	206.2	257.2	254.2	277.3	308.5	327.6	341.1	352.0	166.3	185.8	182.0
Stock change	+3.0	+29.3	+20.0	+14.2	+11.0	+18.6	-2.3	+32.0	+17.9	+15.4	-12.3
Consumption of imports	203.2	227.9	234.2	263.1	297.5	309.0	343.4	320.0	148.4	170.4	194.3
Index 1954=100	68.3	76.6	78.7	88.4	100.0	103.9	115.4	107.6	99.8	114.6	130.6
<b>Non-ferrous metals</b>											
Imports	131.2	149.4	165.9	138.9	134.3	176.5	163.4	178.2	84.1	94.3	92.7
Stock change	-16.8	+5.9	+23.9	+22.6	+5.5	-1.0	-11.7	+13.8	-3.0	+16.9	+3.5
Consumption of imports	148.0	143.5	142.0	116.3	128.8	177.5	175.1	164.4	87.1	77.4	89.2
Index 1954=100	114.9	111.4	110.2	90.3	100.0	137.8	135.9	127.6	135.2	120.2	138.5
<b>Other industrial materials</b>											
Imports	498.6	622.2	505.6	552.0	595.6	669.9	610.9	661.5	314.3	348.4	294.4
Stock change	-17.8	+35.7	+19.0	-15.7	-12.0	+25.5	-20.6	+21.4	-7.3	+29.1	-21.2
Consumption of imports	516.4	586.5	486.6	567.7	607.6	644.4	631.5	640.1	321.6	319.3	315.6
Index 1954=100	85.0	96.5	80.1	93.4	100.0	106.1	103.9	105.3	105.9	105.1	103.9
<b>Total</b>											
Imports	1,972.4	2,111.1	1,948.8	2,186.8	2,186.4	2,376.5	2,341.3	2,476.2	1,254.4	1,226.6	1,203.2
Stock change	-134.0	+78.8	+81.8	+67.7	-20.6	+7.6	-48.2	+87.6	+45.9	+45.9	-48.5
Consumption of imports	2,106.4	2,032.3	1,867.0	2,119.1	2,207.0	2,368.9	2,389.5	2,388.6	1,208.5	1,180.7	1,251.7
Index 1954=100	95.4	92.1	84.6	96.0	100.0	107.3	108.3	108.2	109.5	107.0	113.4

(a) All the figures in the table relate only to the commodities for which stock estimates are made.

(b) The increase in stocks of petroleum products may be overestimated since the published statistics of deliveries may exclude some deliveries to the Armed Forces.



# STATISTICAL APPENDIX

## *The Home Economy*

Table		Page
1	Gross domestic product .. .. .	40
2	Production and employment in industry .. .. .	40
3	The labour market .. .. .	41
4	Prices .. .. .	41
5	Wages, profits, and other costs .. .. .	42
6	Personal income and expenditure .. .. .	42
7	Fixed investment .. .. .	43
8	Building orders and work done .. .. .	43
9	Changes in the volume of stocks .. .. .	43
10	Finance .. .. .	44

## *Foreign Trade*

11	U.K. imports and exports and changes in imported stocks .. .. .	44
12	Volume of U.K. imports, by commodity .. .. .	45
13	Volume of U.K. exports, by commodity and area .. .. .	45
14	Trade of industrial countries .. .. .	46
15	Trade of primary producing countries .. .. .	46
16	World industrial production .. .. .	48
17	The United States .. .. .	48
18	Industrial countries : imports by volume and import and export prices .. .. .	49
19	Industrial countries' exports of manufactures .. .. .	49
20	Commodity prices .. .. .	50
21	Gold and foreign exchange reserves .. .. .	50

### *Symbols and conventions used*

.. = not available.

— = nil or less than half the final digit shown.

billion = thousand millions.

Items may not always add to totals, because of rounding.

*Italics* are used where NIESR has added estimates to figures published elsewhere—for instance, when an estimated later figure is added.

Table 1. Gross domestic product

Seasonally adjusted

	Expenditure									Output					
	Consumers' expenditure	Public authorities' current spending	Gross fixed investment	Value of physical stock change	Exports of goods and services	Total final expenditure	Less Imports of goods and services (a)	Statistical discrepancy	Gross domestic product	Gross domestic product	Industrial production (b)	Agriculture, etc.	Transport, communication	Distribution	Other services
	£ million, 1954 factor cost, quarterly averages									Index numbers, 1954 = 100					
1948	2,272	584	433	+ 60	620	3,969	719	- 4	3,246	83	77.0	85	81	85	95
1949	2,339	634	472	+ 25	694	4,164	770	- 3	3,391	86	82.0	91	85	90	95
1950	2,416	629	497	- 65	794	4,271	776	+ 38	3,533	90	87.5	92	89	92	95
1951	2,373	679	502	+140	835	4,529	889	- 9	3,631	93	90.6	94	92	91	97
1952	2,353	752	505	—	818	4,428	805	- 35	3,588	91	88.0	97	95	88	98
1953	2,451	764	557	+ 35	813	4,620	859	- 20	3,741	95	93.3	98	98	94	99
1954	2,569	758	605	+ 13	880	4,825	900	—	3,925	100	100.0	100	100	100	100
1955	2,655	749	637	+ 73	940	5,054	996	+ 10	4,068	104	105.1	100	104	103	101
1956	2,680	756	666	+ 64	1,001	5,167	1,023	- 51	4,093	104	105.5	104	106	103	101
1957	2,729	732	696	+101	1,003	5,261	1,061	- 43	4,157	106	107.4	107	107	106	101
1956 I	2,691	749	656	+ 80	967	5,143	1,035	- 26	4,082	104	105.5	102	105	103	101
II	2,672	751	662	+100	1,007	5,192	1,005	-101	4,086	104	105.6	102	107	103	100
III	2,666	767	663	+ 25	999	5,120	1,018	- 12	4,090	104	105.3	107	105	103	101
IV	2,691	759	681	+ 50	1,032	5,213	1,031	- 69	4,113	105	105.6	107	105	104	102
1957 I	2,706	729	688	+120	998	5,239	1,071	- 31	4,137	105	106.8	107	106	105	101
II	2,734	747	685	+ 90	1,017	5,274	1,022	- 88	4,164	106	107.6	107	109	106	101
III	2,720	734	703	+110	1,001	5,268	1,097	+ 1	4,172	106	108.3	108	108	106	101
IV	2,756	718	707	+ 85	996	5,262	1,050	- 59	4,153	106	106.9	108	107	107	101
1958 I	2,786	712	709	+ 40	965	5,214	1,027	- 26	4,161	106	107.1	108	107	107	101
II	2,777	734	706	+ 10	968	5,194	1,014	- 55	4,125	105	105.8	108	108	106	101
III	2,766	735	710	- 20	967	5,158	1,060	- 18	4,080	104	105.0				

For explanations and definitions see page 51. (a) Not seasonally adjusted. (b) For details see table 2.

Table 2. Production and employment in industry

Index numbers, 1954 = 100, seasonally adjusted

	Production							Employment <sup>(b)</sup>							Output per person employed in industry
	Total industrial production	Building, contracting	Mining, public utilities	Total manufacturing	Metals, metal using	Textiles, leather, clothing	Other manufacturing	Total industrial production	Building, contracting	Mining, public utilities	Total manufacturing	Metals, metal using	Textiles, leather, clothing	Other manufacturing	
Weight <sup>(a)</sup>	1,000	120	120	760	374	114	272	11.38	1.31	1.24	8.83	4.31	1.70	2.82	
1948	77.0	86.7	82.3	75.0	73.1	86.5	73.6	93.3	98.3	97.3	92.0	90.0	98.6	91.1	88
1949	82.0	90.8	85.9	80.2	77.5	93.6	79.0	95.3	98.4	97.1	94.6	91.8	102.1	94.3	92
1950	87.5	90.8	89.1	86.9	83.8	101.1	85.8	97.3	98.9	98.0	97.0	94.5	102.9	97.4	93
1951	90.6	87.2	93.1	90.8	89.5	99.9	89.5	96.9	97.8	100.3	96.2	96.9	94.9	96.1	91
1952	88.0	89.9	94.8	86.7	89.3	85.0	84.9								
1953	93.3	96.3	96.3	92.4	91.2	98.0	92.0	97.9	98.6	100.5	97.4	97.1	99.1	96.9	95
1954	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100
1955	105.1	100.2	101.6	106.5	109.7	99.3	105.1	102.2	102.0	99.9	102.6	104.6	97.2	102.7	103
1956	105.5	105.7	103.4	105.8	108.2	98.5	105.5	102.9	105.0	99.6	103.1	105.9	95.9	103.1	103
1957	107.4	105.7	103.8	108.2	111.5	98.4	107.9	102.9	104.2	100.5	103.1	106.0	95.2	103.4	104
1958	106			107				101.4	102.5	99.6	101.5	105.1	89.9	103.0	104
1956 I	105.5	102.8	103.5	106.2	109.5	98.8	104.8	103.0	103.2	99.8	103.5	106.4	96.6	103.2	102
II	105.6	106.9	102.3	105.9	108.2	98.8	105.7	103.1	105.3	99.6	103.2	106.1	96.0	103.1	102
III	105.3	106.3	102.9	105.5	107.9	98.9	104.8	102.9	105.8	99.4	102.9	105.7	95.6	103.1	102
IV	105.6	107.0	104.7	105.5	107.1	97.6	106.8	102.7	105.7	99.6	102.7	105.4	95.5	102.9	103
1957 I	106.8	108.2	103.3	107.2	108.8	100.4	107.7	102.8	105.6	100.5	102.7	105.1	95.8	103.1	104
II	107.6	106.6	104.5	108.3	110.9	99.9	108.1	102.9	104.3	100.6	103.0	105.6	95.9	103.2	105
III	108.3	103.3	103.1	109.9	114.3	99.3	108.2	103.2	103.8	100.4	103.4	106.6	95.2	103.6	105
IV	106.9	104.7	104.4	107.6	112.0	94.0	107.3	102.9	103.3	100.6	103.2	106.7	93.8	103.5	104
1958 I	107.1	106.3	104.5	107.7	111.4	93.5	108.5	102.2	102.3	100.6	102.4	106.1	92.1	103.0	105
II	105.8	105.6	103.2	106.3	109.7	89.0	109.2	101.6	102.2	99.7	101.7	105.4	90.3	103.0	104
III	105.0	103.5	100.7	106.0	109.2	90.4	108.1	101.0	102.6	99.0	101.1	104.6	88.6	103.2	104
June	105.0	101.9	101.7	106.0	108.8	87.7	110.2	101.3	102.3	99.3	101.4	105.1	89.5	103.0	104
July	106.3	103.2	102.7	107.5	110.4	91.8	109.7	101.2	102.5	99.1	101.3	104.9	89.1	103.2	105
August	104.7	104.6	98.3	105.7	109.7	89.5	107.0	101.1	102.7	99.0	101.1	104.7	88.6	103.2	104
Sept.	104.2	102.8	101.1	104.9	107.4	90.1	107.7	100.8	102.5	99.0	100.8	104.3	88.2	103.1	103
October	105		102.8					100.5	102.3	98.8	100.5	103.8	88.0	102.9	104
Nov.	106-107							100.3	103.4	98.8	100.1	103.5	87.5	102.4	106

For explanations and definitions see page 52. (a) For employment, numbers in millions in 1954. (b) For employment in services, etc., see table 3.



Table 3. The labour market

Seasonally adjusted

	Employment					Demand for labour			Unemployment by industry						Net over-time per head in manufacturing	
	Total civil employees	Agri-culture etc.	Trans-port, com-muni-cations	Distri-bution	Other services	Unem-employment	Unfilled vacan-cies	Excess demand (a)	Metals, metal using	Textiles, leather, clothing	Other manu-factur-ing	Build-ing, contract-ing	Mining, public utilities	Trans-port, other services		
	Index numbers, 1954 = 100					Percentage of total employees										Weekly hours
1948	..	..	..	..	..	1.5	2.3	0.7	1.5	0.9	1.4	2.6	0.4	1.6	..	
1949	95.1	109.4	103.5	90.9	96.3	1.5	2.0	0.4	1.3	0.8	1.3	2.9	0.4	1.7	..	
1950	96.5	111.0	103.1	91.8	97.0	1.5	1.8	0.3	1.2	0.8	1.3	2.8	0.4	1.8	..	
1951	97.5	106.4	102.2	93.1	97.0	1.2	2.0	0.7	0.8	1.1	1.0	2.1	0.3	1.5	..	
1952	97.4	104.0	102.0	94.4	97.3	2.0	1.3	-0.3	1.2	6.0	1.7	2.8	0.4	1.9	1.0	
1953	98.0	101.1	100.7	96.6	97.6	1.6	1.3	0.0	1.3	1.4	1.5	2.9	0.4	1.9	1.8	
1954	100.0	100.0	100.0	100.0	100.0	1.3	1.6	0.3	0.9	1.1	1.2	2.5	0.4	1.6	2.0	
1955	101.3	97.8	99.3	103.0	99.8	1.1	1.9	0.7	0.6	1.3	1.0	1.8	0.3	1.3	2.1	
1956	102.1	91.6	99.5	105.7	100.8	1.2	1.7	0.5	0.9	1.2	1.1	2.0	0.3	1.3	1.9	
1957	102.5	90.5	99.8	108.6	101.4	1.4	1.3	0.0	1.1	1.1	1.3	2.8	0.4	1.6	1.9	
1958	101.8	88.7	99.2	110.0	101.8	2.1	0.9	-0.7	1.7	3.0	1.7	3.9	0.6	2.1		
1956 III	102.0	89.9	99.6	106.0	100.9	1.3	1.6	0.4	1.2	1.3	1.0	2.2	0.3	1.4	1.7	
IV	102.1	91.6	99.8	106.6	101.0	1.2	1.5	0.3	1.0	1.1	1.1	2.2	0.3	1.4	2.0	
1957 I	102.3	92.7	99.8	107.5	101.2	1.5	1.3	-0.1	1.4	1.2	1.6	2.9	0.4	1.6	1.8	
II	102.5	91.2	99.7	108.3	101.6	1.5	1.2	0.0	1.1	1.2	1.3	2.9	0.4	1.6	2.0	
III	102.6	89.5	99.7	108.9	101.4	1.4	1.3	0.1	0.8	1.0	1.0	2.7	0.4	1.6	2.0	
IV	102.6	88.5	100.0	109.6	101.4	1.4	1.3	0.0	0.9	1.2	1.1	2.8	0.4	1.6	2.0	
1958 I	102.1	87.6	99.8	109.4	101.4	1.7	1.1	-0.3	1.4	2.0	1.6	3.4	0.6	1.8	1.7	
II	101.9	87.3	99.5	109.9	101.8	2.1	0.9	-0.7	1.7	3.3	1.7	3.9	0.6	2.1	1.2	
III	101.7	88.9	98.8	110.3	102.1	2.2	0.8	-0.8	1.8	3.4	1.6	3.9	0.7	2.2	1.2	
IV						2.4	0.8	-0.9								
August	101.7	87.4	98.8	110.2	102.2	2.2	0.8	-0.7	1.6	3.4	1.6	3.9	0.6	2.2		
Sept.	101.6	89.6	98.5	110.5	102.1	2.3	0.8	-0.8	2.1	3.5	1.7	4.0	0.7	2.3		
October	101.6	92.8	98.7	110.5	102.1	2.4	0.8	-0.9	2.2	3.5	1.8	4.4	0.7	2.3		
Nov.	101.4	91.6	98.5	110.7	102.2	2.4	0.8	-0.9	2.2	3.2	1.9	4.6	0.8	2.3		
Dec.						2.4	0.9	-0.8								

For explanations and definitions see page 52. (a) NIESR index based on unemployment and vacancies.

Table 4. Prices

Index numbers, 1954 = 100

	Capital goods				Export prices	Retail prices	Consumer goods and services								Total final prices
	All assets	Plant, vehicles etc.	Dwell-ings	Other build-ing			Total	Food	Drink, tobacco	Housing (inc. rent and rates)	Durable goods	Clothing	All other goods	Services	
1948	78	76	79	81	78	65.4	79.7	67.8	99.1	79.4	84.9	82.2	82.9	79.7	78.4
1949	79	78	80	81	81	67.2	81.3	70.8	98.1	80.9	83.6	85.6	83.6	81.9	80.2
1950	81	81	81	81	85	69.0	83.5	74.8	97.0	83.1	87.0	86.6	85.7	84.4	83.0
1951	89	87	94	91	100	75.7	91.1	83.3	98.3	88.4	99.1	100.4	95.2	90.1	92.2
1952	99	97	104	99	105	95.3	96.5	92.5	99.5	92.5	105.9	100.1	100.4	95.4	98.2
1953	100	100	103	100	101	98.3	98.2	96.3	99.8	97.3	102.2	99.2	99.3	97.8	98.8
1954	100	100	100	100	100	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1955	105	104	106	106	102	104.5	103.5	106.3	100.5	103.5	101.4	100.6	103.0	104.2	103.4
1956	111	110	110	111	106	109.7	108.2	110.6	103.9	107.8	108.5	102.5	109.3	110.0	108.7
1957	115	115	112	115	111	113.8	111.3	113.3	106.4	114.8	110.4	104.1	112.9	113.6	112.4
1958					110	117.2									
1956 III	112	111	113	112	106	109.8	108.3	109.8	104.8	108.4	108.6	102.6	109.4	111.2	109.4
IV	113	113	111	113	107	110.8	108.6	109.6	105.1	109.6	108.7	103.4	111.3	111.3	109.7
1957 I	112	112	111	112	110	112.1	109.5	110.7	105.2	110.2	110.2	103.2	111.9	112.2	110.6
II	113	113	112	114	110	112.9	110.9	113.7	106.1	113.7	110.7	103.8	111.7	112.4	112.0
III	116	116	114	116	112	114.4	111.8	114.7	106.4	114.3	110.4	104.5	112.6	113.8	113.1
IV	116	117	113	116	111	115.8	112.7	113.8	107.7	121.0	110.0	104.9	115.2	116.0	113.8
1958 I	117	118	112	116	110	116.2	113.5	113.3	108.1	123.8	111.5	105.3	115.2	117.5	114.3
II	117	119	112	116	110	117.9	114.9	116.4	109.0	126.9	110.8	105.4	114.1	120.2	115.5
III			112	116	110	116.6	113.8	113.7	108.7	129.4	110.2	104.5	113.5	119.3	114.9
July					110	116.7	113.9	114.0	108.7	128.9	110.2	104.5	113.6	119.3	
August					110	116.5	113.7	113.4	108.7	129.6	110.2	104.4	113.5	119.3	
Sept.					109	116.6	113.8	113.7	108.7	129.6	110.1	104.5	113.5	119.2	
October					109	117.6	114.8	116.4	108.7	130.0	110.1	104.5	113.7	119.3	
Nov.					109	118.1	115.3	116.8	108.7	130.6	110.0	104.4	116.5	119.5	

For explanations and definitions see page 52.

Table 5. Wages, profits, and other costs

Index numbers, 1954 = 100

	Weekly wage rates	Wage rates by industry							Income from employment (a)		Profits of companies and public corporations	All property income		Import prices	Materials used in manufacturing industry
		Metals, metal-using	Textiles, leather, clothing	Other manufacturing	Mining, public utilities	Building, contracting	Agriculture forestry, fishing	Services	Total	Per unit of output		Total	Per unit of output		
1948	74.6	73.5	74.3	73.0	74.3	72.8	75.1	75.6	65.9	79.7	64.9	70.0	84.6	73	..
1949	76.7	76.0	77.6	75.5	74.9	74.7	77.8	77.3	70.3	81.4	67.9	73.0	84.5	74	..
1950	78.1	76.9	79.3	77.2	76.1	76.6	79.0	78.9	74.1	82.3	78.8	81.3	90.3	85	96.6
1951	84.6	83.5	86.0	84.1	83.5	83.0	84.5	84.9	82.4	89.1	93.1	89.8	97.1	113	134.7
1952	91.6	91.5	91.6	92.6	92.2	90.5	91.7	91.4	88.8	97.2	83.7	85.2	93.2	111	113.0
1953	95.8	95.8	96.0	96.6	95.6	95.4	95.9	95.6	93.6	98.2	89.5	91.2	95.7	101	101.6
1954	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100	100.0
1955	106.9	106.8	104.9	106.1	107.7	106.2	105.6	106.2	109.2	105.2	109.5	107.2	103.3	103	105.9
1956	115.4	115.5	112.0	114.8	118.3	114.2	113.8	114.2	118.9	114.0	114.4	112.1	107.5	105	108.4
1957	121.2	121.1	117.9	120.6	124.3	120.5	119.1	120.0	126.1	119.1	121.9	118.7	112.1	107	106.5
1958	125.3	125.2	122.2	125.5	126.3	125.5	125.6	124.5							
1956 III	116.6	116.9	113.8	116.6	119.0	116.2	114.5	115.7	120.4	115.5	110.1	109.5	105.1	103	108.5
IV	117.0	117.1	115.2	116.9	119.0	116.2	117.3	116.3	121.1	115.6	122.8	118.8	113.4	107	110.7
1957 I	117.8	117.6	115.9	117.4	120.8	117.7	117.4	116.9	122.2	115.9	114.4	112.7	106.9	110	111.3
II	121.0	119.8	116.9	120.0	125.2	119.8	118.1	119.1	125.6	118.4	122.4	118.0	111.2	110	109.0
III	122.7	122.9	118.9	122.0	125.5	122.3	118.1	121.5	128.1	120.5	122.5	118.8	111.8	106	105.5
IV	123.3	124.0	119.8	122.9	125.6	122.3	122.8	122.5	128.5	121.5	128.4	125.2	118.3	102	100.3
1958 I	123.9	124.3	120.7	124.0	125.8	123.7	125.6	123.1	130.2	122.8	112.4	115.9	109.3	99	95.9
II	124.3	124.3	122.1	124.5	126.1	124.5	125.6	123.4	131.1	124.7	123.2	122.4	116.5	99	94.0
III	125.5	124.7	122.9	126.1	126.5	126.8	125.6	125.4	132.5	127.2				98	93.1
July	125.1	124.7	122.8	125.6	126.3	126.7	125.6	124.7						98	93.3
August	125.5	124.8	123.0	126.0	126.6	126.8	125.6	125.6						99	93.4
Sept.	125.9	124.6	123.0	126.6	126.6	126.8	125.6	125.8						98	92.5
October	127.2	127.5	123.0	127.3	126.8	127.0	125.6	126.0						98	93.1
Nov.	127.4													99	

For explanations and definitions, see page 52. (a) Seasonally adjusted, except for 'wage-round' effect: see notes.

Table 6. Personal income and expenditure

£ million, quarterly averages, seasonally adjusted

	Dispo- sable income (a)	Total personal savings	Con- sumers' expend- iture	Consumers' expenditure											
				Total	Food	Alco- holic drinks	Tobacco	Housing (inc. rent and rates)	Fuel, light	Cloth- ing	Durable goods			All other goods	Services
											Cars, motor cycles	Furni- ture, etc.	Radio, electric, etc.		
1948	2,157	38	2,119	2,658	836	201	200	235	109	274	13	56	36	238	460
1949	2,274	62	2,212	2,721	872	194	194	234	108	296	16	68	40	260	439
1950	2,393	53	2,340	2,803	914	198	196	238	113	307	17	77	45	271	427
1951	2,592	71	2,521	2,766	896	204	202	239	117	276	16	74	50	262	430
1952	2,826	174	2,652	2,749	887	202	206	244	115	271	23	67	46	262	426
1953	3,005	196	2,809	2,861	919	205	209	252	117	275	40	77	57	284	426
1954	3,174	178	2,996	2,996	952	204	214	263	121	294	55	87	69	306	431
1955	3,454	247	3,207	3,097	973	215	219	257	124	315	74	89	73	327	431
1956	3,714	334	3,380	3,124	992	219	222	261	129	326	57	86	66	335	431
1957	3,913	370	3,543	3,185	1,007	223	227	264	127	332	62	92	73	347	431
1956 I	3,618	265	3,353	3,136	1,009	220	222	260	129	319	70	83	66	331	427
II	3,721	323	3,398	3,111	981	216	218	260	132	318	68	87	65	337	429
III	3,735	365	3,370	3,110	978	216	223	261	126	332	53	84	66	338	433
IV	3,783	386	3,397	3,140	1,002	223	226	262	129	337	36	89	67	333	436
1957 I	3,798	343	3,455	3,155	1,004	222	226	262	126	329	43	92	75	340	436
II	3,894	353	3,541	3,193	1,006	225	228	263	126	330	72	94	74	344	431
III	3,941	390	3,551	3,176	994	221	226	264	123	334	73	89	74	350	428
IV	4,020	397	3,623	3,214	1,023	225	230	265	132	334	61	91	70	353	430
1958 I	4,060	363	3,697	3,250	1,031	226	229	267	140	325	81	92	75	363	421
II	4,070	352	3,726	3,243	1,021	221	235	267	142	321	88	93	78	357	420
III	4,100	420	3,680	3,229	1,017	217	232	268	127	327	78	90	74	368	431
IV															

For explanations and definitions, see page 52. (a) Seasonally adjusted, except for 'wage-round' effect.



Table 7. Fixed investment

£ million, 1954 prices, quarterly averages, seasonally adjusted

£ million, 1954 prices, quarterly averages, seasonally adjusted

	Total	Dwellings		Industries and services										
		Public	Private	Total	By type of asset			Mainly public industries				Mainly private industries		
					Plant, machinery	Vehicles, ships, aircraft	Buildings, works	Total	Fuel, power	Public, social services	Transport, communications	Total	Manufacturing	Other industries, services
1948	455	92	14	349	167	91	91	124	53	29	42	225	114	111
1949	496	87	17	392	182	97	113	148	65	35	48	244	128	116
1950	521	86	16	419	203	87	129	158	70	42	47	261	147	115
1951	524	84	16	424	220	78	125	157	70	45	42	267	156	111
1952	529	95	24	409	208	70	131	158	73	44	42	251	150	101
1953	589	114	42	431	210	82	139	172	81	46	45	259	146	113
1954	636	105	56	475	233	90	152	192	96	48	48	284	152	132
1955	672	85	60	527	253	104	170	202	102	49	51	325	172	153
1956	703	78	64	562	258	110	193	211	97	56	58	351	194	158
1957	735	74	64	597	272	118	207	233	100	61	72	364	197	167
1955 I	637	89	55	493	242	94	157	194	98	47	49	299	157	142
II	663	85	58	520	251	104	165	198	102	47	49	322	166	156
III	688	82	66	540	258	106	176	203	106	48	49	337	180	157
IV	698	82	62	554	259	112	183	213	103	54	56	341	184	157
1956 I	691	76	63	552	259	109	184	206	98	52	56	346	187	159
II	698	78	63	557	253	108	196	211	101	58	52	346	194	152
III	702	79	64	559	256	108	195	210	93	56	61	349	193	156
IV	720	77	65	578	264	116	198	215	94	57	64	363	200	163
1957 I	726	81	67	578	268	105	205	217	94	59	64	361	202	159
II	722	75	64	583	271	108	204	223	95	60	68	360	206	154
III	744	71	61	612	273	132	207	237	96	65	76	375	196	179
IV	747	69	64	614	277	127	210	254	114	60	80	360	185	175
1958 I	751	68	64	619	282	126	211	243	104	65	74	376	193	183
II	747	64	65	618	281	122	215	245	104	66	75	373	199	174
III		61	70				216					379	198	181

For explanations and definitions, see page 52.

Table 8. Building orders and work done <sup>(a)</sup>

£ million, 1954 prices, quarterly averages

	Housing		Other buildings and works					
			Public		Private			
					Industrial		Other	
	New orders	New work done	New orders	New work done	New orders	New work done	New orders	New work done
1955	..	130	..	67	..	50	..	29
1956	..	129	..	76	..	61	..	36
1957	118	123	87	82	47	60	43	40
1955 I	..	124	..	60	..	43	..	26
II	..	133	..	65	..	50	..	29
III	..	132	..	72	..	51	..	30
IV	..	131	..	71	..	57	..	32
1956 I	..	121	..	66	..	54	..	33
II	..	133	..	81	..	65	..	35
III	..	130	..	80	..	63	..	37
IV	139	130	91	77	54	63	43	38
1957 I	144	126	90	77	52	60	44	39
II	117	128	81	83	48	62	46	40
III	110	118	101	83	44	60	41	40
IV	101	120	74	84	44	59	41	42
1958 I	109	112	98	81	47	59	42	41
II	107	118	80	91	40	57	41	43
III	112	117	70	94	42	59	39	43

For explanations and definitions, see page 52. (a) New orders received and work done by contractors in building and civil engineering.

Table 9. Changes in the volume of stocks

£ million, 1954 prices, quarterly averages

	Total	Manufacturers' stocks			
		Total	Materials and fuel	Work in progress	Finished goods
Value at end 1955	7,190	3,984	1,812	1,303	869
1956	+ 64	+ 56	+16	+25	+15
1957	+101	+ 85	+32	+36	+18
1956 I	+210	+111	+16	+58	+37
II	+120	+ 60	-21	+34	+47
III	+ 45	+ 26	+46	+ 4	-24
IV	-120	+ 26	+24	+ 3	- 1
1957 I	+250	+101	+29	+27	+45
II	+110	+ 78	-17	+64	+31
III	+120	+101	+67	+56	-22
IV	- 75	+ 60	+47	- 5	+18
1958 I	+170	+117	-11	+61	+67
II	+ 30	+ 31	-76	+32	+75
III	- 10	- 45	-18	+ 6	-33

For explanations and definitions, see page 53.

	Money supply : per cent of total final sales	London Clearing Banks			New capital issues				Treasury bills out- standing	Hire purchase debt			Yields	
		Liquidity ratio	Advances		Overseas	Local authori- ties	Manu- facturing, distrib- ution	Other		Total	Owing to finance houses	Owing to house- hold goods shops	On 2½ % Consols	On ordinary shares
			Total	Nation- alised indus- tries										
<i>per cent</i>	<i>£mn., change in period</i>	<i>£ million</i>				<i>£ million, change in period</i>			<i>per cent</i>					
1948	50.1	28.8	+ 43	..	9.5	—	29.7	30.2	— 29	..	..	..	3.21	4.62
1949	47.4	32.1	+ 36	..	10.5	—	25.8	3.0	— 71	..	..	..	3.30	5.49
1950	44.8	39.0	+ 30	..	13.0	—	36.5	40.5	— 29	..	..	..	3.54	5.27
1951	39.0	37.4	+ 72	..	12.5	—	34.5	26.0	—212	..	..	..	3.78	5.78
1952	37.4	34.4	— 45	..	13.1	—	28.0	55.6	— 20	..	..	..	4.23	6.46
1953	37.1	35.1	— 10	..	14.3	4.8	27.7	61.8	+ 28	..	..	..	4.08	6.06
1954	36.5	33.7	+ 48	..	19.8	4.5	43.4	64.9	+100	..	..	..	3.75	5.40
1955	33.9	32.5	— 11	..	15.9	2.2	47.7	92.8	+ 86	..	..	..	4.17	5.43
1956	31.3	35.3	+ 15	..	13.1	13.5	53.5	11.2	—131	—25	— 9	—16	4.73	6.25
1957	30.5	35.1	— 8	— 8	16.3	6.4	58.0	11.1	+181	+20	+22	— 2	4.98	6.27
1956 III	31.4	35.9	—115	—12	20.7	3.7	11.9	13.0	+440	—26	—15	—12	4.82	6.22
IV	31.5	36.9	+ 53	+27	5.0	28.6	106.1	9.8	+ 11	—17	—17	—	4.87	6.52
1957 I	30.6	34.6	+ 63	—69	16.8	14.4	57.5	18.8	—764	+ 4	+19	—15	4.60	6.13
II	30.1	33.0	+104	+18	19.6	4.7	63.7	5.8	+487	+11	+17	— 6	4.82	5.86
III	30.6	35.4	—126	—12	16.8	—	21.4	5.3	+207	+38	+40	— 2	5.16	6.14
IV	30.8	37.2	— 73	+34	11.9	6.6	89.3	14.8	+796	+28	+12	+16	5.44	6.96
1958 I	30.7	35.9	+ 36	—28	18.0	27.4	63.9	10.8	—1113	+ 1	+12	—11	5.19	6.99
II	30.3	32.8	+112	+20	27.0	12.7	50.6	8.7	+282	+18	+24	— 6	4.99	6.49
III		33.5	— 2	— 5	7.4	15.8	21.0	39.4	+163	+12	+ 5	+ 7	4.90	5.96
July		33.8	— 96	—17					+162	+21	+21	—	4.95	6.25
August		33.4	— 12	— 2					— 34	+ 6	+ 6	—	4.89	5.91
Sept.		33.4	+102	+ 4					+361	+ 9	— 6	+15	4.87	5.72
October		33.2	+165	+41					+256	+36	+ 9	+27	4.77	5.57
Nov.		33.7	+150	—15					— 98	+120			4.89	5.56

Table 11. U.K. imports and exports and changes in imported stocks

Quarterly average

	Imports				Exports (exc. re-exports)				Balance of visible trade as recorded (b)	Terms of trade import/export	Stock changes of mainly imported commodities				
	Value c.i.f.		Volume		Value f.o.b.		Volume				Total	Total	Food and tobacco	Indus-trial materials	Fuel
	As recor-ded	Adjus-ted (a)	As recor-ded	Adjus-ted (a)	As recor-ded	Adjus-ted (a)	As recor-ded	Adjus-ted (a)							
	£mn.	1954 = 100	£mn.	1954 = 100	£mn.	1954 = 100	Current prices	1954 prices, £mn. c.i.f.							
1950	654	654	89	89	551	555	101	100	- 82	100	- 30.3	- 33.4	- 14.1	- 20.1	+ 0.8
1951	977	977	100	100	654	656	100	98	- 292	113	+ 32.0	+ 19.7	+ 10.4	+ 2.0	+ 7.3
1952	870	870	92	92	646	646	94	92	- 187	106	+ 20.8	+ 20.5	+ 2.1	+ 13.4	+ 5.0
1953	836	836	99	99	646	650	96	95	- 164	100	+ 22.0	+ 16.9	+ 9.6	+ 3.8	+ 3.5
1954	844	844	100	100	669	680	100	100	- 151	100	- 5.0	- 5.0	- 2.1	- 5.7	+ 2.8
1955	971	971	112	112	726	719	107	105	- 215	101	+ 2.0	+ 2.0	- 4.5	+ 1.8	+ 4.7
1956	972	980	111	112	793	793	113	112	- 142	99	- 13.3	- 12.1	- 0.6	- 10.9	+ 0.6
1957	1,019	1,011	115	114	831	829	116	113	- 154	96	+ 25.2	+ 21.9	+ 5.9	+ 8.0	+ 8.0
1958	935	935	113	113	804	804	112	110	- 94	90					
1956 III	937	947	107	108	741	791	106	111	- 168	97	..	..	..	..	..
IV	975	995	109	112	839	792	120	111	- 95	100	..	..	..	..	..
1957 I	1,058	1,028	118	114	836	820	117	113	- 183	100	} + 21.7	+ 38.8	+ 43.3	- 11.2	+ 6.7
II	1,041	1,041	113	113	851	841	118	115	- 159	100		+ 7.1	- 10.4	+ 6.3	+ 11.2
III	996	996	112	112	797	836	110	114	- 170	95		+ 30.7	- 21.1	+ 33.5	+ 18.3
IV	981	981	115	115	840	821	117	113	- 106	92		+ 15.3	+ 13.6	+ 4.6	- 2.9
1958 I	934	934	113	113	821	810	113	110	- 72	90	} - 28.8	- 20.6	+ 2.3	- 16.4	- 6.5
II	912	932	111	113	776	807	108	110	- 100	90		- 27.9	- 20.7	- 1.4	- 5.8
III	945	925	113	111	784	785	109	108	- 124	90		+ 7.4	- 9.1	+ 18.0	- 1.5
July	1,014	954	..	113	857	789	..	108	- 119	89	..	..	..	..	..
August	912	912	..	109	773	777	..	106	- 100	90	..	..	..	..	..
Sept.	933	933	..	111	721	789	..	109	- 180	90	..	..	..	..	..
October	984	984	..	118	800	792	..	109	- 147	90	..	..	..	..	..
Nov.	939	939	..	114	873	843	..	116	- 28	91	..	..	..	..	..

For explanations and definitions, see page 53. (a) Both imports and exports are adjusted for dock strikes and certain other delays; exports are adjusted for seasonal movements and for working days, and exclude lend-lease silver. (b) Exports and re-exports less imports.



Table 12. Volume of U.K. imports, by commodity

Index numbers, 1954 = 100

	Food and beverages	Tobacco	Basic materials					Fuels		Semi-manufactures and manufactures mainly for industrial use				Finished manufactures	
			Total	Textile materials	Wood	Pulp	Ores and scrap	Total	Petroleum and products	Total	Iron and steel	Non-ferrous metals	Textile manufactures	Total	Machinery
<i>Value 1957 £mn</i>	1,411	86	1,169	354	174	105	205	466	441	641	79	193	89	287	152
1950	92	97	97	110	77	72	88	65	68	86	139	78	121	74	80
1951	101	113	102	96	120	87	82	86	88	111	150	91	152	76	86
1952	91	71	90	88	83	73	90	83	87	97	352	103	71	107	142
1953	102	104	101	110	101	82	95	90	94	86	198	85	65	115	118
1954	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1955	107	111	106	98	114	118	112	121	107	126	363	109	107	122	124
1956	109	102	102	100	92	113	114	115	112	121	379	101	120	136	137
1957	114	103	106	101	101	112	126	114	115	122	215	110	129	152	145
1955 I	118	64	107	118	86	118	100	114	101	128	251	119	118	112	120
1955 II	100	61	98	95	87	109	107	124	110	114	340	95	97	118	122
1955 III	101	144	113	86	158	130	123	126	109	129	411	114	103	128	125
1955 IV	108	175	105	91	126	114	117	121	109	132	451	108	112	128	131
1956 I	114	76	100	110	63	92	103	120	113	129	502	97	126	138	141
1956 II	113	50	104	107	76	115	115	122	117	125	433	101	122	136	139
1956 III	98	111	105	81	130	126	127	121	118	112	318	97	114	123	125
1956 IV	109	172	99	101	100	120	111	98	98	116	264	108	119	147	142
1957 I	126	64	109	132	64	105	109	102	101	119	222	102	133	156	140
1957 II	111	61	107	104	93	117	124	117	117	118	206	104	126	158	140
1957 III	104	136	106	79	141	112	142	125	127	122	209	112	120	142	141
1957 IV	114	151	103	88	107	115	127	112	114	129	222	123	137	153	159
1958 I	120	51	95	98	57	102	104	114	118	125	194	114	139	160	147
1958 II	119	68	92	92	74	110	106	116	121	113	153	107	108	159	147
1958 III	117	133	90	64	126	113	87	128	134	118	116	124	111	169	150

For explanations and definitions, see notes on page 53.

Table 13. Volume of U.K. exports, by commodity and area

Index numbers, 1954 = 100, seasonally adjusted

	By commodity										By area				
	Food, beverages, tobacco	Basic materials, fuels	Manufactures								Sterling area	Other primary producers	North America	Western Europe	
			Total	Metals and engineering					Textiles	Chemicals					Other manufactures
				Total	Metals	Metal goods	Machinery	Transport equipment							
<i>Value 1957 £mn</i>	206	276	2,747	1,832	309	209	788	525	302	267	346	1,501	384	432	905
1950	93	78	106	102	106	101	99	105	125	79	121	94	129	105	94
1951	95	61	105	100	80	103	104	101	126	92	118	101	114	100	90
1952	91	77	96	98	84	97	106	93	94	77	100	91	111	94	89
1953	94	93	96	97	94	105	100	92	103	79	97	94	93	112	96
1954	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1955	106	100	109	110	113	114	110	106	96	116	112	106	102	115	107
1956	115	103	115	118	126	110	117	121	92	127	113	105	113	137	116
1957	124	96	117	121	139	105	120	123	92	137	113	105	120	143	116
1956 I	101	103	111	114	117	111	114	115	91	123	110	106	118	127	106
1956 II	112	105	120	126	125	119	123	134	95	126	116	107	120	148	121
1956 III	109	101	113	117	126	101	118	117	91	125	110	104	108	129	116
1956 IV	137	104	114	117	134	110	113	116	91	133	115	102	108	142	122
1957 I	114	103	117	119	148	108	117	113	95	139	113	103	112	138	123
1957 II	129	97	118	123	145	109	121	122	94	137	111	107	118	146	117
1957 III	124	92	118	123	131	101	121	132	92	136	113	107	122	148	114
1957 IV	129	93	116	121	133	101	120	126	85	134	113	105	127	141	111
1958 I	113	97	114	118	126	93	116	127	87	135	113	105	116	147	107
1958 II	121	92	107	112	128	88	109	118	76	127	105	97	112	147	102
1958 III	128	100	116	123	140	85	117	140	77	143	110	105	119	148	112

For explanations and definitions, see notes on page 53.

Table 14. Trade of industrial countries

\$ billion, quarterly averages

	Total (a)			U.S.A.			Canada			U.K.			Continental O.E.E.C. (a)		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1948	8.29	9.15	-0.86	3.17	2.01	+1.16	0.84	0.76	+0.08	1.65	2.09	-0.44	2.57	4.12	-1.54
1949	8.66	9.03	-0.37	3.02	1.88	+1.14	0.77	0.73	+0.04	1.71	2.13	-0.42	3.03	4.06	-1.03
1950	8.43	9.38	-0.95	2.57	2.40	+0.17	0.77	0.80	-0.03	1.58	1.82	-0.24	3.31	4.12	-0.81
1951	11.32	12.77	-1.45	3.76	2.97	+0.79	1.01	1.05	-0.04	1.90	2.73	-0.84	4.31	5.52	-1.20
1952	11.99	12.43	-0.43	3.80	2.92	+0.89	1.19	1.12	+0.07	1.91	2.43	-0.52	4.77	5.45	-0.68
1953	12.16	12.42	-0.26	3.95	2.95	+1.00	1.15	1.21	-0.06	1.88	2.34	-0.46	4.86	5.32	-0.46
1954	12.61	12.78	-0.17	3.78	2.76	+1.02	1.11	1.14	-0.03	1.94	2.36	-0.42	5.37	5.92	-0.55
1955	13.85	14.52	-0.67	3.89	3.09	+0.80	1.20	1.29	-0.09	2.12	2.72	-0.60	6.14	6.80	-0.66
1956	15.78	16.32	-0.53	4.77	3.44	+1.34	1.32	1.57	-0.25	2.32	2.72	-0.40	6.75	7.78	-1.03
1957	17.22	17.65	-0.43	5.21	3.54	+1.66	1.37	1.59	-0.22	2.42	2.85	-0.43	7.51	8.60	-1.08
1958										2.35	2.62	-0.27			
1956 I	14.30	15.43	-1.13	4.23	3.50	+0.73	1.12	1.37	-0.25	2.28	2.75	-0.47	6.12	7.12	-1.00
II	16.11	16.63	-0.52	4.92	3.41	+1.51	1.36	1.71	-0.35	2.39	2.77	-0.38	6.84	7.93	-1.09
III	15.42	16.00	-0.58	4.71	3.39	+1.32	1.37	1.53	-0.16	2.15	2.62	-0.47	6.57	7.64	-1.07
IV	17.28	17.15	+0.13	5.22	3.44	+1.78	1.43	1.63	-0.20	2.46	2.73	-0.27	7.45	8.45	-1.00
1957 I	17.09	17.90	-0.81	5.44	3.52	+1.92	1.23	1.53	-0.30	2.45	2.96	-0.51	7.32	8.82	-1.50
II	17.37	18.19	-0.82	5.47	3.49	+1.98	1.35	1.75	-0.40	2.47	2.91	-0.46	7.41	8.76	-1.36
III	16.77	17.22	-0.45	4.91	3.50	+1.41	1.47	1.58	-0.11	2.31	2.79	-0.48	7.31	8.28	-0.97
IV	17.61	17.27	+0.34	5.00	3.67	+1.33	1.42	1.48	-0.06	2.45	2.75	-0.30	7.98	8.50	-0.52
1958 I	15.97	16.28	-0.31	4.41	3.45	+0.97	1.19	1.31	-0.12	2.41	2.62	-0.21	7.25	8.10	-0.85
II	16.22	16.28	-0.06	4.58	3.43	+1.14	1.45	1.55	-0.10	2.27	2.57	-0.30	7.24	7.96	-0.72
III	15.80	15.80	—	4.18	3.34	+0.84	1.34	1.39	-0.05	2.30	2.67	-0.37	7.29	7.67	-0.38

For explanations and definitions, see notes on page 53. (a) Excludes W. Germany in 1948 and 1949.

Table 15. Trade of primary producing countries

\$ billion, quarterly averages

	Total			Overseas Sterling Area			Australia			New Zealand			India		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1948	4.92	5.56	-0.64	2.11	2.51	-0.41	0.41	0.35	+0.06	0.12	0.11	+0.01	0.34	0.43	-0.09
1949	4.70	5.52	-0.83	2.03	2.51	-0.49	0.40	0.40	—	0.14	0.11	+0.03	0.33	0.51	-0.18
1950	5.47	5.16	+0.31	2.33	2.25	+0.08	0.42	0.41	+0.01	0.13	0.11	+0.01	0.29	0.29	—
1951	6.91	7.19	-0.28	3.11	3.21	-0.10	0.51	0.61	-0.10	0.17	0.15	+0.02	0.40	0.45	-0.05
1952	6.11	7.16	-1.06	2.74	3.07	-0.32	0.42	0.49	-0.07	0.17	0.19	-0.03	0.32	0.42	-0.10
1953	6.25	6.34	-0.09	2.73	2.68	+0.05	0.49	0.37	+0.13	0.16	0.13	+0.03	0.28	0.30	-0.02
1954	6.47	6.71	-0.24	2.77	2.81	-0.04	0.41	0.47	-0.05	0.17	0.17	—	0.30	0.32	-0.03
1955	6.86	7.27	-0.41	3.00	3.16	-0.16	0.44	0.54	-0.10	0.18	0.20	-0.02	0.32	0.35	-0.03
1956	7.23	7.65	-0.42	3.12	3.33	-0.21	0.47	0.49	-0.02	0.19	0.19	+0.01	0.32	0.42	-0.10
1957	7.44	8.52	-1.08	3.25	3.65	-0.40	0.55	0.48	+0.07	0.19	0.21	-0.01	0.35	0.51	-0.16
1958															
1956 I	7.20	7.47	-0.27	3.12	3.33	-0.21	0.34	0.51	-0.17	0.23	0.18	+0.05	0.34	0.42	-0.08
II	7.27	7.65	-0.38	3.17	3.33	-0.16	0.54	0.51	+0.03	0.20	0.18	+0.02	0.27	0.40	-0.13
III	6.91	7.52	-0.61	2.99	3.30	-0.31	0.41	0.48	-0.07	0.18	0.20	-0.02	0.30	0.44	-0.14
IV	7.31	7.63	-0.32	3.22	3.36	-0.14	0.59	0.43	+0.17	0.16	0.18	-0.02	0.35	0.44	-0.09
1957 I	7.61	8.01	-0.40	3.36	3.51	-0.15	0.62	0.44	+0.18	0.22	0.18	+0.04	0.34	0.48	-0.14
II	7.49	8.68	-1.19	3.25	3.71	-0.45	0.57	0.48	+0.09	0.20	0.20	—	0.31	0.55	-0.24
III	7.25	8.65	-1.39	3.13	3.71	-0.57	0.46	0.49	-0.03	0.19	0.23	-0.04	0.37	0.52	-0.15
IV	7.41	8.75	-1.33	3.24	3.66	-0.42	0.55	0.50	+0.05	0.15	0.22	-0.07	0.35	0.46	-0.11
1958 I	7.27	8.12	-0.85	3.13	3.58	-0.45	0.42	0.50	-0.08	0.22	0.20	+0.02	0.30	0.43	-0.13
II	6.96	8.06	-1.10	2.94	3.45	-0.51	0.39	0.50	-0.11	0.19	0.21	-0.01	0.24	0.39	-0.15
III	6.92	8.06	-1.14	2.87	3.30	-0.43	0.37	0.51	-0.14	0.16	0.19	-0.03	0.33	0.39	-0.06

For explanations and definitions, see notes on page 53.



Table 14 (contd.). Trade of industrial countries

\$ billion, quarterly averages

	Western Germany			France			Italy			Netherlands			Japan		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1948	..	..	..	0.50	0.86	-0.36	0.27	0.38	-0.12	0.26	0.47	-0.21	0.06	0.17	-0.11
1949	..	..	..	0.68	0.82	-0.14	0.28	0.39	-0.11	0.34	0.46	-0.13	0.13	0.23	-0.10
1950	0.49	0.67	+0.18	0.76	0.76	—	0.30	0.37	-0.07	0.35	0.51	-0.16	0.20	0.24	-0.04
1951	0.87	0.87	-0.01	1.02	1.11	-0.09	0.41	0.54	-0.13	0.49	0.64	-0.15	0.34	0.50	-0.16
1952	1.00	0.95	+0.05	0.96	1.08	-0.12	0.35	0.58	-0.24	0.53	0.56	-0.03	0.32	0.51	-0.19
1953	1.10	0.94	+0.15	0.95	0.99	-0.04	0.38	0.60	-0.23	0.54	0.59	-0.06	0.32	0.60	-0.28
1954	1.31	1.14	+0.17	1.05	1.06	-0.01	0.41	0.61	-0.20	0.60	0.71	-0.11	0.41	0.60	-0.19
1955	1.53	1.45	+0.09	1.23	1.18	+0.04	0.46	0.68	-0.21	0.67	0.80	-0.13	0.50	0.62	-0.11
1956	1.84	1.65	+0.19	1.13	1.39	-0.25	0.54	0.79	-0.26	0.72	0.93	-0.21	0.62	0.81	-0.18
1957	2.14	1.87	+0.27	1.28	1.54	-0.26	0.63	0.91	-0.27	0.77	1.03	-0.25	0.71	1.07	-0.36
1958	2.21	1.83	+0.38	1.19	1.38	-0.20				0.82	0.91	-0.09	0.70	0.76	-0.06
1956 I	1.56	1.45	+0.11	1.07	1.26	-0.19	0.50	0.76	-0.26	0.67	0.85	-0.18	0.55	0.69	-0.14
1956 II	1.89	1.65	+0.24	1.17	1.47	-0.30	0.50	0.80	-0.30	0.74	0.93	-0.19	0.60	0.81	-0.21
1956 III	1.82	1.69	+0.13	1.06	1.33	-0.27	0.55	0.76	-0.21	0.70	0.94	-0.24	0.62	0.82	-0.20
1956 IV	2.08	1.83	+0.25	1.23	1.48	-0.25	0.60	0.83	-0.23	0.76	0.99	-0.23	0.72	0.90	-0.18
1957 I	2.00	1.81	+0.19	1.33	1.69	-0.36	0.59	0.92	-0.33	0.76	1.08	-0.32	0.65	1.06	-0.41
1957 II	2.11	1.81	+0.30	1.29	1.68	-0.39	0.63	0.94	-0.31	0.72	1.04	-0.33	0.67	1.28	-0.61
1957 III	2.15	1.87	+0.27	1.16	1.43	-0.27	0.65	0.85	-0.20	0.78	1.01	-0.23	0.77	1.07	-0.30
1957 IV	2.31	2.00	+0.32	1.32	1.36	-0.04	0.67	0.92	-0.25	0.84	0.97	-0.14	0.76	0.87	-0.11
1958 I	2.06	1.82	+0.23	1.27	1.51	-0.24	0.61	0.81	-0.20	0.77	0.87	-0.10	0.71	0.80	-0.09
1958 II	2.13	1.72	+0.41	1.22	1.52	-0.30	0.63	0.80	-0.17	0.76	0.90	-0.14	0.68	0.77	-0.09
1958 III	2.23	1.83	+0.40	1.15	1.26	-0.11	0.63	0.75	-0.12	0.81	0.88	-0.07	0.69	0.73	-0.04

Table 15 (contd.). Trade of primary producing countries

\$ billion, quarterly averages

	Pakistan			South Africa			Malaya			Latin America excluding Venezuela			Others		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1948	0.15	0.08	+0.07	0.15	0.40	-0.25	0.21	0.21	—	1.38	1.35	+0.03	1.43	1.69	-0.26
1949	0.12	0.12	—	0.15	0.33	-0.18	0.18	0.20	-0.02	1.14	1.15	-0.01	1.54	1.85	-0.31
1950	0.12	0.10	+0.02	0.17	0.25	-0.08	0.33	0.24	+0.09	1.41	1.24	+0.17	1.73	1.67	+0.06
1951	0.19	0.14	+0.05	0.22	0.38	-0.15	0.50	0.39	+0.11	1.61	1.77	-0.16	2.19	2.22	-0.03
1952	0.13	0.16	-0.02	0.22	0.34	-0.12	0.32	0.32	—	1.40	1.71	-0.31	1.96	2.39	-0.43
1953	0.11	0.09	+0.02	0.23	0.35	-0.12	0.25	0.26	-0.02	1.54	1.41	+0.14	1.97	2.26	-0.29
1954	0.09	0.08	+0.01	0.26	0.36	-0.10	0.25	0.26	—	1.55	1.60	-0.05	2.14	2.31	-0.17
1955	0.10	0.07	+0.03	0.26	0.37	-0.11	0.34	0.31	+0.03	1.52	1.62	-0.09	2.33	2.49	-0.16
1956	0.08	0.10	-0.02	0.30	0.38	-0.09	0.34	0.34	—	1.63	1.67	-0.04	2.47	2.65	-0.18
1957	0.08	0.11	-0.03	0.32	0.42	-0.10	0.34	0.36	-0.02	1.57	1.85	-0.28	2.64	3.04	-0.40
1958															
1956 I	0.13	0.07	+0.06	0.27	0.40	-0.13	0.36	0.34	+0.02	1.61	1.61	—	2.47	2.53	-0.06
1956 II	0.07	0.07	—	0.28	0.39	-0.11	0.32	0.34	-0.02	1.60	1.63	-0.03	2.49	2.69	-0.20
1956 III	0.06	0.09	-0.03	0.29	0.37	-0.08	0.33	0.33	—	1.52	1.66	-0.14	2.40	2.55	-0.15
1956 IV	0.08	0.13	-0.05	0.30	0.36	-0.06	0.35	0.34	+0.01	1.57	1.76	-0.19	2.53	2.51	+0.02
1957 I	0.14	0.12	+0.02	0.33	0.41	-0.07	0.35	0.38	-0.03	1.64	1.66	-0.02	2.61	2.83	-0.22
1957 II	0.06	0.11	-0.05	0.32	0.42	-0.10	0.33	0.35	-0.02	1.55	1.86	-0.31	2.68	3.11	-0.42
1957 III	0.05	0.10	-0.05	0.30	0.43	-0.13	0.34	0.38	-0.03	1.50	1.90	-0.40	2.62	3.04	-0.42
1957 IV	0.09	0.11	-0.02	0.34	0.43	-0.09	0.34	0.33	+0.01	1.54	1.93	-0.39	2.63	3.16	-0.52
1958 I	0.11	0.11	—	0.29	0.48	-0.19	0.32	0.36	-0.04	1.44	1.60	-0.16	2.69	2.93	-0.24
1958 II	0.04	0.11	-0.07	0.29	0.45	-0.16	0.30	0.34	0.04	1.47			2.54		
1958 III				0.26	0.40	-0.14	0.29	0.30	0.02						

Table 16. World industrial production

Index numbers, 1953 = 100, seasonally adjusted

	World (a) (b)	U.S.A.	Canada	U.K.	Conti- nental O.E.E.C.	Western Ger- many	France	Italy	Belgium	Sweden	Nether- lands	Austria	Latin America (a)	Japan (a)	U.S.S.R
1950	83	84	85	94	82	72	89	78	93	95	88	86	91	55	69
1951	92	90	92	98	92	85	99	89	106	100	91	97	96	74	80
1952	94	93	94	94	94	91	98	91	101	98	91	98	98	82	89
1953	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1954	100	93	99	108	109	112	109	109	106	104	110	114	108	108	113
1955	111	104	107	114	121	129	117	119	116	111	118	133	118	117	127
1956	116	107	115	114	131	139	128	128	123	115	124	138	125	144	141
1957	119	107	115	116	139	147	139	138	123	119	126	146	132	167	155
1958		100		113		152									171
1956 I	113	106	112	114	127	135	128	122	119	113	122	138	118	..	
II	116	106	114	114	129	138	134	127	124	114	123	137	125	..	
III	113	105	116	113	133	141	138	128	123	116	123	139	129	145	
IV	120	108	117	114	134	141	138	133	125	118	125	140	125	155	
1957 I	119	108	117	115	137	146	141	136	125	118	129	142	127	165	
II	120	108	115	116	137	147	143	137	124	120	127	146	133	172	
III	117	108	114	117	139	146	146	139	117	120	126	146	136	168	
IV	120	104	111	116	141	149	151	139	123	120	121	150	132	165	
1958 I	114	97	111	116	142	151	156	139	118	121	124	150	127	167	
II	114	96	113	114	142	150	154	138	112	119	125	149	131	163	
III	112	101	112	113	142	151	153	141	114	117	128	151		167	
July		100	113	115	144	152	157	142	114	115	128			166	
August		101	111	113	142	150	151	138	112	122	125			165	
September		102	112	112	141	149	150	144	115	115	129			171	
October		103				155	152	145	115		131			174	
November		105				155		111							

For explanations and definitions, see notes on page 53. (a) World, Latin America and Japan are not seasonally adjusted. (b) Excludes U.S.S.R., Eastern Europe and China.

Table 17. The United States<sup>(a)</sup>Quarterly averages, seasonally adjusted<sup>(b)</sup>

Quarterly averages, seasonally adjusted																
	Gross national product	Consumers' expenditure		Public spending on goods and services		Gross private fixed investment		Value of physical changes in stocks	Net foreign investment	Durable goods		Building and contracting orders	Unemployment	Employment (b)	Consumer prices (b)	
		Durable goods	Other goods and services	Federal	Other	Dwellings	Other			Manufacturers' sales	Manufacturers' new orders					
% billion, at constant 1954 prices										% billion at current prices		per cent	millions	1954 = 100		
1950	79.5	8.0	46.2	6.2	5.9	3.9	8.3	1.8	- 0.7	26.41	30.95	4.6	5.0	59.96	89.5	
1951	85.5	7.3	47.4	10.4	6.0	3.2	8.8	2.4	0.0	31.13	38.03	5.0	3.0	61.01	96.7	
1952	88.4	7.1	49.0	13.7	6.1	3.2	8.8	0.7	- 0.1	32.81	35.06	5.3	3.1	61.04	98.9	
1953	92.3	8.3	50.5	15.1	6.4	3.4	9.1	0.1	- 0.6	37.13	33.10	5.6	2.9	61.95	99.7	
1954	90.8	8.1	51.4	12.2	6.9	3.9	8.8	- 0.4	- 0.1	33.71	30.47	6.3	5.6	60.89	100.0	
1955	98.2	9.9	54.1	11.3	7.4	4.6	9.6	1.5	- 0.2	39.24	41.56	7.6	4.4	62.94	99.7	
1956	100.6	9.5	56.5	10.8	7.7	4.1	10.3	1.4	0.3	41.42	43.33	7.9	4.2	64.71	101.2	
1957	101.8	9.5	58.0	11.0	8.1	3.9	10.3	0.4	0.7	42.48	39.26	8.0	4.3	65.01	104.7	
1958	98.5	8.8	58.8	11.2	8.6	4.0	8.7	- 1.6	0.1				6.8		107.6	
% billion, at current prices																
1956	I	102.7	9.7	56.6	11.5	8.0	4.5	10.8	1.7	- 0.1	40.91	42.59	9.3	4.3	62.85	99.9
	II	103.7	9.5	57.4	11.5	8.2	4.4	11.2	1.4	0.3	40.88	43.22	7.9	4.2	65.24	100.6
	III	105.1	9.4	58.1	11.9	8.4	4.4	11.4	1.2	0.5	40.19	44.47	7.1	4.1	66.49	101.9
	IV	107.6	9.9	59.0	12.3	8.6	4.4	11.7	1.1	0.7	43.21	44.63	7.4	4.1	65.33	102.6
1957	I	109.1	10.1	59.9	12.6	9.0	4.3	11.9	0.3	1.1	43.95	42.13	8.7	4.1	63.21	103.3
	II	110.3	9.9	60.8	12.9	9.0	4.1	11.9	0.7	1.1	42.76	40.60	8.4	4.1	65.31	104.3
	III	111.4	10.1	62.0	12.7	9.0	4.2	11.9	0.6	0.9	43.00	38.68	7.9	4.3	66.43	105.4
	IV	109.7	9.9	61.9	12.6	9.5	4.4	11.6	- 0.6	0.5	40.57	35.92	7.5	4.9	65.09	105.8
1958	I	106.5	9.1	62.5	12.7	9.7	4.3	10.5	- 2.4	0.1	36.35	32.88	7.7	6.5	62.18	106.9
	II	107.3	8.9	63.2	13.0	9.8	4.1	10.3	- 2.0	0.1	35.26	34.50	9.0	7.2	63.98	107.7
	III	109.8	9.0	63.9	13.4	10.0	4.5	10.2	- 1.3	0.1	37.36	37.55	9.8	7.4	65.06	107.8
August						4.5					37.16	36.53	10.7	7.6	65.37	107.8
September						4.6					38.17	38.58	9.1	7.2	64.63	107.8
October						4.8					39.04	40.53	9.9	7.1	65.31	107.8
November														5.9	64.65	107.9
December														5.9		

For explanations and definitions, see notes on page 53. (a) The U.S. index of industrial production is shown in table 16. (b) Employment and consumer prices are not seasonally adjusted.



Table 18. Industrial countries : imports by volume and import and export prices

Index numbers, 1953 = 100

	Volume of imports						Import prices				Export prices				
	U.S.A.	U.K.	OEEC. incl. U.K.		Western Germany	France	U.S.A.	U.K.	Western Germany	France	U.S.A.	U.K.	Western Germany	France	Japan
			From outside	Intra-trade											
1950	92	90	91	87	75	89	88	84	94	87	88	84	81	82	82
1951	91	101	98	93	77	101	111	112	120	114	101	99	99	97	122
1952	96	93	96	90	89	99	105	110	114	112	100	104	107	103	108
1953	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1954	93	101	108	115	126	108	103	99	96	99	99	99	96	94	97
1955	103	113	120	130	152	123	102	102	100	98	100	101	98	95	93
1956	111	112	130	139	171	142	104	104	102	102	103	105	101	100	96
1957	114	116	137	147	192	150	106	106	103	117	107	110	103	102	97
1956 I	113	115	126	126	150	129	104	104	102	100	104	104	100	97	95
II	109	114	134	139	169	149	104	105	103	102	103	104	100	100	96
III	111	108	128	133	174	138	104	102	103	98	103	105	101	101	97
IV	113	111	133	153	191	150	105	106	101	102	104	106	102	101	97
1957 I	114	119	141	147	184	162	107	109	104	109	107	109	103	103	99
II	111	115	139	144	183	163	106	109	105	107	107	109	104	103	98
III	113	113	132	142	191	138	105	105	104	113	107	111	103	103	97
IV	119	116	134	155	210	138	104	101	101	139	108	110	103	98	95
1958 I	114	114	138	142	197	159	102	98	98	142	107	109	104	98	93
II	115	112	137	142	190	162	100	98	96	140	105	109	103	99	91
III	112	114			208	134	100	97	93		106	109	103	98	90
IV		117						98				108			

For explanations and definitions, see notes on page 54.

Table 19. Industrial countries' exports of manufactures

	Volume							Value, Total	Shares					
	Total	U.S.A. (a)	U.K.	Western Germany	France	Japan	Others (b)		U.S.A. (a)	U.K.	Western Germany	France	Japan	Others (b)
	Index numbers, 1953 = 100								\$ bn., quarterly averages	Per cent of total value				
1950	86	86	110	42	98	81	84	5.0	27.3	25.6	7.3	9.9	3.4	26.5
1951	100	103	109	72	119	89	100	7.0	26.5	22.0	10.0	10.0	4.3	27.2
1952	98	102	100	87	96	94	98	7.0	26.2	21.6	12.0	9.2	3.8	27.3
1953	100	100	100	100	100	100	100	6.9	25.9	21.3	13.3	9.0	3.8	26.8
1954	111	106	104	127	110	140	108	7.5	25.1	20.4	14.8	9.0	4.7	26.0
1955	125	115	113	150	123	186	122	8.5	24.5	19.7	15.4	9.3	5.1	26.0
1956	136	128	120	174	114	222	133	9.6	25.2	19.1	16.4	7.8	5.7	25.8
1957	146	135	123	201	129	250	140	10.7	25.4	18.1	17.5	8.0	5.9	25.1
1956 I	127	125	118	148	105	199	123	9.0	26.4	19.9	14.9	7.8	5.3	25.7
II	140	134	126	179	119	216	135	9.9	25.7	19.4	16.3	7.9	5.3	25.4
III	131	119	112	171	108	219	132	9.2	24.5	18.6	17.0	7.8	5.9	26.1
IV	145	131	123	196	120	255	143	10.4	24.5	18.4	17.3	7.8	6.1	25.9
1957 I	144	135	125	183	135	265	137	10.5	25.7	18.5	16.4	8.6	5.5	25.3
II	149	147	126	196	132	240	140	10.9	26.8	18.2	16.9	8.2	5.5	24.5
III	143	128	118	202	115	269	139	10.4	24.7	17.9	18.2	7.4	6.6	25.2
IV	150	130	122	223	133	265	144	10.9	24.1	17.8	18.7	8.0	6.2	25.2
1958 I	138	116	121	194	134	255	132	10.2	23.0	19.0	17.7	8.6	6.2	25.5
II	142	125	115	206	131	246	138	10.4	24.0	17.7	18.2	8.4	5.9	25.9
III	140	110	116	216	125	239	140	10.1	21.8	18.2	19.5	8.4	5.9	26.2

For explanations and definitions, see notes on page 54. (a) Excluding special category. (b) Belgium-Luxembourg, Canada, Italy, Netherlands, Sweden and Switzerland.

Table 20. Commodity prices

[illegible]

For explanations and definitions, see page 54. (a) See special article on page 54.

Table 21. Gold and foreign exchange reserves (a)

[illegible]

For explanations and definitions see page 54. (a) At end of period.



# STATISTICAL APPENDIX: DEFINITIONS AND EXPLANATIONS

## GENERAL NOTES

### Sources

The main sources and abbreviations used in the following notes are:

- Blue Book : *National Income and Expenditure of the United Kingdom* (HMSO, annual)  
 BTJ : *Board of Trade Journal* (HMSO, weekly)  
 ET : *Economic Trends* (HMSO, monthly)  
 MLG : *Ministry of Labour Gazette* (HMSO, monthly)  
 MDS : *Monthly Digest of Statistics* (HMSO)  
 T and N : *Accounts relating to Trade and Navigation of the United Kingdom* (HMSO, monthly)  
 IFS : *International Financial Statistics* (International Monetary Fund, monthly)  
 OEEC : *General Statistics* (every two months) and *Foreign Trade Statistical Bulletins* (Organisation for European Economic Co-operation)

Statistics derived from these publications are not described in detail. For more information, reference should be made either to these publications or to their explanatory supplements. These are:

- Blue Book : *National Income Statistics: Sources and Methods* (HMSO 1956)  
 MDS : *Definitions and Explanatory Notes* (HMSO, annual)  
 MLG : *Guides to Official Sources: No. 1, Labour Statistics* (May 1958)  
 OEEC : *Definitions and Methods*  
     I. *Indices of Industrial Production* (3rd ed., 1958)  
     II. *Population and Manpower, Internal Trade, Prices and Wages, Finance* (2nd ed., 1955)  
     III. *Foreign Trade* (2nd ed., 1955)  
     IV. *Agricultural Production, Agricultural Prices* (2nd ed., 1955)

### Country groups

The following country groups are used; they include all the countries listed against them, unless stated otherwise.

*Industrial countries*: USA, Canada, UK, Continental OEEC, and Japan.

*North America*: USA and Canada only.

*OEEC*: Austria, Belgium-Luxembourg, Denmark, France, Western Germany, Greece, Iceland, Irish Republic, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, UK.

*Continental OEEC*: Excludes sterling area countries—Irish Republic, Iceland, and UK.

*Western Europe*: Continental OEEC and Spain, Yugoslavia and Finland.

*Primary producing countries*: All countries not included as industrial countries above, except for Eastern area, Spain, Yugoslavia and Finland.

*Overseas sterling area*: The British Commonwealth (except Canada), British Trust Territories, British Protectorates and Protected States, Burma, Irish Republic, Iraq, Iceland, Jordan, Libya, Muscat and Oman.

*Latin America*: Central America, including Mexico but excluding the Panama Canal zone, and South American countries excluding European possessions.

*Other primary producing countries*: All primary producing countries outside the overseas sterling area and Latin America; these are mainly Middle and Far Eastern countries and the overseas possessions and related territories of Continental OEEC countries.

*Eastern area*: Albania, Bulgaria, Czechoslovakia, Eastern Germany, Hungary, North Korea, North Vietnam, Poland, Roumania, Union of Soviet Socialist Republics, and the People's Republic of China.

### Valuation of imports and exports

Imports are valued c.i.f. and exports and re-exports f.o.b. unless otherwise stated.

### Seasonal adjustments

A number of monthly and quarterly series have been adjusted to eliminate the estimated normal seasonal variations. A description of the adjustments made by NIESR will be given in the next issue. The main point to be noted is that all seasonally adjusted series must be regarded as containing a margin of uncertainty, depending in particular on the extent to which the seasonal variation can be shown to be regular in the past. Special seasonal adjustments not dealt with in the forthcoming article are explained in the notes to the tables.

## THE HOME ECONOMY

Table 1. Gross domestic product

Sources: *Blue Book*, *ET*, *MDS*, *BTJ*

In making the estimates required for this table, much assistance has been received from the Department of Applied Economics, Cambridge.

All figures are given at 1954 factor cost. This has been done by deflating all series, expressed at 1954 market prices, by the ratio that net indirect taxes bore to the total in 1954. All series have been seasonally adjusted except imports, for which no regular seasonal movement was found.

*Consumers' expenditure*. Figures of consumers' expenditure at 1954 market prices are published for 12 sub-groups; each has been separately adjusted to 1954 factor cost. Estimates for the last quarter shown are based on the value of retail sales and other indicators.

*Public authorities' current spending*. Published figures of expenditure at current market prices have been expressed at 1954 market prices. This has been done for five sub-groups of expenditure: Forces' pay; other defence expenditure; health services expenditure; all other central government expenditure; and local authorities' expenditure. Forces' pay and relevant employers' contributions have been deflated to 1954 market prices using the numbers in H.M. Forces (*MDS*). For the other four groups, separate price deflators have been calculated from an index of civil service wages and salaries (kindly supplied by the CSO), from indices of consumer prices, and from prices of plant, machinery and vehicles (see table 4). These three indices were combined in ratios derived from the input-output table for 1954 (*Blue Book* 1958, table 18).

*Gross fixed investment*. In adjusting the published 1954 market price figures to 1954 factor cost, the group "vehicles, ships and aircraft" has been separately adjusted, since about one-third of indirect taxes on investment falls on this group. The remaining adjustment has been made to the total.

*Value of physical stock change*. The deflation of the current market price figures to 1954 market prices is explained in the notes to table 9, page 53.

*Exports of goods and services*. For exports of merchandise, the methods used for adjusting *T and N* shipments figures to a payments basis are described in *ET*, no. 49, November 1957. The quarterly estimates can subsequently be checked against the half-yearly figures in the *Balance of Payments White Paper*.

These current value estimates of exports of merchandise were adjusted to 1954 market prices by deflating them by a quarterly index of the average value of total exports (1954=100), which was lagged one month with the export price index (*BTJ*). Current value figures for exports of other goods and services were obtained by subtracting the estimates for merchandise from total estimates for goods and services given in *ET*; since other goods and services are mainly shipping earnings and foreign tourist expenditure in the UK, they were adjusted to 1954 prices with an index which combined in equal proportions indices of liner freight rates (*UN Bulletin of Statistics*) and UK consumer prices (table 4). Finally the annual estimates of the volume of goods and services were adjusted to show the same movement as the *Blue Book* annual series of exports at 1948 market prices; quarterly figures were adjusted to add to these totals.

Total exports of merchandise were seasonally adjusted with seasonal factors based on shipments, which in turn were adjusted for timing. Thus for the first quarter of the year the seasonal adjustment applied is the average of the monthly factors for November, December, January, February, and March, given weights of 1, 2, 3, 2, 1, respectively.

*Imports of goods and services*. For merchandise, the *T and N* figures have been taken to represent payments, and no timing adjustment has been made; the value of goods imported has been adjusted to 1954 prices using the volume index (1954=100) given in the *BTJ*. The value of other imports of goods and services has been adjusted to 1954 market prices by indices of shipping freights and by the index of consumer prices. The series for the volume of total imports so obtained has been adjusted, in the same way as the export volume series, to the *Blue Book* annual series at 1948 market prices.

*Gross domestic product*. Index numbers of real output have been obtained by combining five series: agriculture, forestry and fishing; industrial production; transport and communications; distribution; and other services. The industrial production series, seasonally adjusted, was taken from *MDS*; the other four were kindly supplied, also seasonally adjusted, by the Department of Applied Economics, Cambridge. These four are aggregates of many component series, combined with 1948 weights. The five series were combined according to factor costs in 1954 (*Blue Book*, table 15). As in the *Blue Book* estimates, adjustments for building repair work and banking services were then made to the total index of net output.



**Table 2. Production and employment in industry**

Sources : MDS, MLG

The headings correspond with those of the Standard Industrial Classification :

<i>Total industrial production</i>	<i>SIC Orders II-XVIII.</i> (These are the industries covered by the index of industrial production.)
Building and contracting	SIC Order XVII
Mining and public utilities	SIC Orders II and VIII
<i>Total manufacturing</i>	<i>SIC Orders III-XVI</i>
Metals and metal using	SIC Orders V-IX
Textiles, leather and clothing	SIC Orders X-XII
Other manufacturing	SIC Orders III-IV and XIII-XVI

*Production.* Production series for the years 1948 to 1953 are not strictly comparable with those for 1954 onwards. For earlier years the figures are the old index of production with 1948 weights, re-calculated on the basis of the revised SIC orders with 1954 as the time base (see *ET*, November 1958, pages vii/viii). The industry series have been seasonally adjusted by NIESR with the advice of the CSO.

*Employment.* These figures are derived from the monthly industrial analysis in the *MLG* of employees (excluding self-employed) in Great Britain, supplemented by revisions to monthly figures for earlier years kindly supplied by the Ministry of Labour.

*Output per person employed in industry.* The index of industrial production divided by the index of employment in the industrial production index industries.

**Table 3. The labour market**

Source : MLG

All figures are for Great Britain only. All figures have been seasonally adjusted.

*Employment.* The index numbers of the total in civil employment exclude HM Forces and estimates of self-employed persons. They have been derived from the monthly industrial analysis of employment in Great Britain (*MLG*), from the annual count of the number of employees holding national insurance cards in May of each year, and from information kindly supplied by the Ministry of Labour. As the published figures of the numbers holding insurance cards in May are not available until the following February, index numbers shown since May 1957 must be regarded as provisional.

*Unemployment.* The percentages have been obtained by relating the average numbers of wholly unemployed and temporarily stopped in any period to the numbers of insured employees in May of that year. For 1958, the May 1957 figure for insured employees has been used.

*Unfilled vacancies.* The end-of-month figures of employment vacancies unfilled have been expressed as percentages in the same way as unemployment figures.

*Demand for labour.* A detailed description of the index of excess demand for labour is given in 'Excess Demand for Labour', J. C. R. Dow and L. A. Dicks-Mireaux, *Oxford Economic Papers*, February 1958, which describes the adjustments made, in particular to the figures for unfilled vacancies. The index of excess demand for labour can be regarded as the excess in any month of the adjusted percentage of unfilled vacancies over the percentage of unemployment.

*Net over-time per head in manufacturing.* The difference between aggregate hours worked overtime and aggregate hours lost by short-time has been divided by the total number of operatives covered by the sample taken by the Ministry of Labour for a specific week in each quarter.

**Table 4. Prices**

Sources : MLG, MDS, ET, BTJ

*Capital goods.* The indices have been derived from the ratio of investment at constant (1954) market prices to investment at current market prices.

*Export prices.* This is the Board of Trade index of export prices, whose weighting is based on the pattern of trade in 1954.

*Retail prices.* The official series of index numbers, with bases at 17 June 1947, 15 January 1952, and 17 January 1956, have been linked, and are shown with 1954 = 100.

*Consumer prices.* These have been derived from the ratio of consumers' expenditure at constant (1954) market prices to consumers' expenditure at current market prices. The estimates for recent months have been obtained by linking corresponding component series of the retail prices index to the latest quarterly consumer prices figures.

*Total final prices.* This index has also been derived from the ratio of total final expenditure (excluding the value of the physical stock change) at 1954 market prices to that at current market prices.

**Table 5. Wages, profits, and other costs**

Sources : MLG, MDS, ET

*Weekly wage rates.* The official series of index numbers for wage rates, based on 30 June 1947 and 31 January 1956, have been linked, and are shown with 1954 = 100.

*Wage rates by industry.* These cover adult male and female workers. They were first presented and described by Professor Ely Devons and Mr. R. C. Ogley in *The Manchester School*, May 1958. Since then, index numbers have been kindly supplied to the Institute by Mr. J. R. Crossley of the Faculty of Economic and Social Studies of the University of Manchester who is now continuing their compilation on the same basis.

*Income from employment.* The method of seasonally adjusting the quarterly aggregate wage and salary bill (which is the greater part of income from employment) does not follow the usual lines and is therefore described below. The object has been, while removing seasonal fluctuations, to leave in the effect of the wage round, which, although somewhat regular, cannot be regarded as a seasonal factor. For the period 1954-57 annual percentage changes in average wages and salaries were highly correlated with annual percentage changes in wage rates so that the effect of a wage rate change appears to be fully reflected in a change in the average wage and salary. Index numbers of average wages and salaries were therefore compared with index numbers of wage rates (1954 = 100), and the absolute differences between these indices adjusted for seasonal variation. The adjusted differences have been applied to index numbers of the average wage and salary, thereby obtaining a seasonally corrected series which nevertheless retains the effect of the wage round. The seasonally adjusted wage and salary bill has been divided by the seasonally adjusted index of the gross domestic product (table 1) to give labour costs per unit of output.

*Import prices.* This is the Board of Trade index of import prices, whose weighting is based on the pattern of trade in 1954.

**Table 6. Personal Income and Expenditure**

Sources : Blue Book, ET, MDS

All figures have been seasonally adjusted.

*Disposable income.* Total personal income less taxes on income and national insurance contributions.

*Consumers' expenditure.* The NIESR estimates for the latest quarter are based on Board of Trade retail sales and other published indicators. For a full description of the items included in the three categories of durable goods, see *ET*, August 1958, pp. viii-x.

**Table 7. Fixed investment**

Sources : Blue Book, MDS, ET

All figures have been seasonally adjusted.

*Total fixed investment.* Gross fixed capital formation at home. The figure differs slightly from that in the *Blue Book*, in that it excludes 'legal fees, stamp duties, etc.'

*Dwellings.* The quarterly estimates of public and private expenditure on dwellings are obtained by applying to the *Blue Book* annual expenditure figures, and to the *ET* quarterly expenditure figures, the quarterly movements of the Ministry of Works estimates of the value of work done for public and private owners. Public authorities include Housing Associations.

*Industries and services.* The division of capital expenditure (other than on dwellings) between 'mainly public' and 'mainly private' industries and services is the nearest approximation now obtainable on a quarterly basis to a separation of the public from the private sector.

In the 'mainly public' sector, fuel and power includes mining and quarrying and gas, electricity and water (including private water companies). Public and social services include education and health (including in each case some private expenditure), national assistance, roads, sewerage, land drainage and other public services. Transport and communications includes private road passenger transport; but shipping is excluded.

In the 'mainly private' sector, manufacturing includes publicly owned iron and steel firms and such capital expenditure of firms as is financed by the Government. Government research and development (which includes atomic energy research) is also included in the total. Other industries and services include agriculture and forestry and fishing (some of which is public expenditure), building and contracting, distribution and other services; it also includes an estimate of expenditure by the shipping industry.

For the adjustment to 1954 prices, annual figures come from the *Blue Book*. Quarterly figures for the 'mainly private' sector are derived from estimates of investment at current and constant prices in manufacturing and in distribution and other services published in *MDS* and *BTJ*.

For quarterly figures for the 'mainly public' industries, the current price figures have been adjusted by an annual price index derived from *Blue Book* figures, interpolating and extrapolating with price index numbers for investment goods other than dwellings.

**Table 8. Building orders and work done**

Sources : MDS, ET

The figures are for Great Britain only. They are the quarterly statistics of value of new work done by contractors (*ET* and *MDS*), and of value of new orders received by contractors published in *ET*, adjusted for price changes. They exclude maintenance and repair work and output of labour employed by public authorities and public utilities. 'Industrial' building covers work for the manufacturing and building industries, including offices which are parts of factory schemes and probably some warehouses.



The value figures have been deflated by price index numbers for capital goods (see table 4).

**Table 9. Changes in the volume of stocks**

Sources : MDS, BTJ

The changes in total stocks are the figures from national income and expenditure estimates, adjusted for price changes. The changes in manufacturers' stocks are derived from the quarterly figures published in the BTJ and MDS; the figures for each quarter of 1957 have been adjusted to conform with the preliminary results of the Census of Production, 1957 (BTJ, 21 November 1958).

The published quarterly figures have been adjusted to 1954 prices, using series derived from Board of Trade wholesale price index numbers. The method adopted is in principle that used in the national accounts (*National Income Statistics; Sources and Methods*, pages 324-7). In the absence of detailed quarterly information, however, only very summary methods have been used.

**Table 10. Finance**

Sources : Annual Abstract, Blue Book, MDS, ET, BTJ

*Money supply : per cent of total final sales.* The money supply is the sum of the average estimated circulation with the public plus the net deposits of London clearing banks—i.e., their total deposits minus balances with other banks and cheques in course of collection. *Total final sales* are the sum of total domestic expenditure at market prices and exports (including re-exports) of goods and services.

*London clearing banks liquidity ratio.* The ratio to total deposits of (i) the sum of coins, notes and balances at the Bank of England, (ii) money at call and short notice (iii) Treasury bills discounted, (iv) other bills discounted.

*Hire purchase debt.* Figures since the third quarter of 1957 have come from MDS. Estimates for previous periods were made by linking the figures of debt outstanding at July 1957 to finance houses and household goods shops, to the old series of index numbers of hire purchase debt (BTJ 28 February 1958).

*Yields on ordinary shares :* Actuaries' investment index.

## FOREIGN TRADE

**Table 11. UK imports and exports and changes in imported stocks**

Sources : T and N, BTJ

*Imports and exports.* Volume index numbers are based on Board of Trade revaluations of imports and exports at 1954 prices.

Import figures are shown both as recorded and as adjusted by NIESR for delays caused by dock strikes in 1954, 1955 and 1958 and the Suez crisis in 1956 and 1957. Exports (which exclude lend-lease silver) are also shown both as recorded and as adjusted; the adjustments are (a) for delays caused by dock strikes and the Suez crisis (b) for the number of working days (see notes to table 13) (c) seasonal variations.

*Stock changes.* For a description of the figures of changes of imported stocks, see the special article on pages 36-38. Quarterly or half-yearly figures for stocks do not necessarily add up to yearly figures, partly because of revisions in annual trade figures which have not been carried back to the component quarters and also, in the case of the valuation at current prices, because of differences between the annual and quarterly average arrival values used.

**Table 12. Volume of UK imports, by commodity**

Sources : T and N, BTJ

The commodity groups correspond to the classes and divisions used in T and N: Food and beverages A1/11, Tobacco A12; Basic materials, Total B, Textile materials B6/9, Wood B4, Pulp B5, Ores and scrap B11; Fuels, Total C, Petroleum and products C2; Semi-manufactures and manufactures mainly for industrial use, Total D1/13, Iron and steel D12, Non-ferrous metals D13, Textile manufactures D6/9; Finished manufactures, Total D14/23, Machinery D15/16.

The index numbers are based on 1954. The figures are based on Board of Trade revaluations of imports at 1954 prices.

**Table 13. Volume of UK exports, by commodity and area**

Sources : T and N, BTJ

The commodity groups correspond with the following classes and divisions used in T and N: Food, beverages, tobacco A; Basic materials, fuels B and C; Manufactures D (excluding lend-lease silver); Metals and engineering D12/19 and 22, Metals D12 and 13, Metal goods D14 and 22, Machinery D15 and 16, Transport equipment D17/19; Textiles D6/9; Chemicals D1.

The index numbers are based on 1954. The figures are based on Board of Trade revaluations at 1954 prices. Adjustments have been made by NIESR throughout to take account of the number of working days and seasonal variations. No adjustments have been made for delays caused by dock strikes in 1954, 1955 and 1958 or by the Suez crisis in 1956. All these figures exclude re-exports.

Before 1957 the number of working days (usually days other than Sundays and public holidays) varied between 23 and 28 per month. From 1957 the export account periods have been arranged to contain either 25 or 26 working days (see BTJ, 2 February 1957).

*Exports by area.* Except for the sterling area (for which a volume index is published by the Board of Trade) the index numbers have been calculated by assuming that the movement in unit values to each destination is the same as for total exports.

The figures for North America exclude exports of lend-lease silver.

**Table 14. Trade of industrial countries**

**Table 15. Trade of primary producing countries**

Sources : IFS brought up to date from national sources and the press.

Imports are valued c.i.f. and exports f.o.b. If actual c.i.f. figures are not available, estimates are made by IFS. For definitions of industrial countries and primary producing countries, see page 51.

**Table 16. World industrial production**

Sources : UN Monthly Bulletin of Statistics, UN Statistical Yearbook, OEEC.

The industrial coverage of the index numbers varies widely, but building is excluded throughout.

*World.* The index of world industrial production excludes the Eastern area (see definition on page 51). It has been taken from UN publications and has the following weights :

North America	56.9
Europe	31.1
Latin America	4.1
Asia, East and South-East	4.7
Rest of World	3.2
<b>Total</b>	<b>100.0</b>

*USA and Canada.* From OEEC, brought up to date from national sources. Gas and electricity are excluded from the U.S.A. figures.

*UK.* This is the same series as that used in table 2, except that building is excluded and it is shown with 1953=100.

*Continental OEEC.* For this, and for the individual series for Continental OEEC countries, the source is OEEC brought up to date from national sources. Generally, the figures include gas and electricity, but the series for Austria and Sweden exclude gas. Figures are not available for Switzerland and Portugal and they are therefore not included in the total. The Irish Republic is, however, included. The weights used are :

Western Germany	23.1
France	15.2
Italy	9.3
Belgium	4.6
Sweden	4.4
Netherlands	3.8
Austria	2.1
Others	6.0
<b>Total</b>	<b>68.5</b>

In the index for all OEEC countries, not given here, the UK has a weight of 31.5.

*Japan.* UN publications, supplemented by Japanese Economic Indicators.

*USSR and Latin America.* UN publications.

**Table 17. The United States**

Sources : Survey of Current Business and weekly supplements, Business Statistics, Economic Indicators

*Building and contracting orders.* These figures are derived from statistics compiled by F. W. Dodge Corporation, seasonally adjusted by the National Bureau of Economic Research, and published in *Economic Indicators*. From 1957 the data cover 48 states. Figures shown in this table for years 1948-1955 and first three quarters 1956 are based on data for 37 eastern states only. NIESR have adjusted them so as to link them with the data for the 48 states available for 1956 as a whole and later years.

*Unemployment, employment.* US Department of Commerce *Monthly Report on the Labour Force*. A change of definition in 1952 slightly affects comparability with earlier years. The 1956 quarterly figures are on a slightly different basis from the 1956 annual figure. For unemployment, NIESR have adjusted the quarterly percentages (and where they were not already seasonally adjusted applied a rough adjustment derived from the Department's own statistics) to agree with the annual average. The figures are percentages of the civilian labour force. Employment figures include proprietors and self-employed. Those not at work because of industrial disputes are counted as employed.



**Consumer prices.** US Department of Labor all-items index shown with 1954 = 100. For 1950-52 the weights represent the spending pattern in the years 1949-50, and from 1953 onwards the 1952 spending pattern.

**Table 18. Industrial countries : imports by volume and import and export prices**

Sources : OEEC, IFS

**Volume of imports.** The UK index is the Board of Trade index for the volume of imports with 1954 weights but shown with 1953 = 100.

**Import and export prices.** The UK and Japanese series have fixed weights : the UK, 1954 weights, and the Japanese, 1953 weights for the years 1950-56 and 1956 weights from 1957 onwards. The other index numbers are based on unit values of imports or exports with moving weights.

An adjustment has been made to the French series to allow for the effective devaluation of the franc in mid-1957 ; this series thus indicates the movement of French prices in terms of sterling or dollars.

**Table 19. Industrial countries' exports of manufactures**

Sources : OEEC, IFS, BTJ, and national sources, which include *Monthly Return of the Foreign Trade of Japan*, *Quarterly Summaries of Foreign Trade of the USA* and *World Trade Information Service Part 3*.

Manufactures are defined as Standard International Trade Classification groups 5-8 inclusive. This table covers only United States (excluding special category), Canada, United Kingdom, Western Germany, France, Italy, Belgium-Luxembourg, Netherlands, Sweden, Switzerland and Japan. Over 80 per cent of the exports of the United Kingdom, Western Germany and Japan, about 65 per cent of French exports and about 60 per cent of US exports consist of manufactures.

**Volume of exports : UK, Western Germany and France.** The index numbers for UK, Western Germany and France are published by OEEC. The UK index is in fact the Board of Trade volume of exports index for Class D (SITC 5-8) with 1954 weights but shown with 1953 = 100. **Japan.** The index numbers for Japan have been taken from the *Japanese Trade Accounts*. The quarterly figures have 1953 weights and the annual figures have moving weights based on the preceding year. **USA.** No volume index for SITC groups 5-8 inclusive has hitherto been published regularly. The NIESR index has been computed by deflating the value series for US exports of manufactures (excluding special category) by a unit value index compiled by combining the official unit value series for finished manufactures and semi-manufactures using 1953 weights. **Others.** Index numbers for various groups of commodities (varying from country to country) are published by OEEC. Using these figures and various national sources to bring the information up to date, NIESR have extracted or prepared index numbers of volume of exports of manufactures for each of the remaining countries : Belgium-Luxembourg, Canada, Italy, Netherlands, Sweden and Switzerland. They are weighted by the value of exports of manufactures from each country in 1953. **Total.** The various series described above have been weighted by the value of exports of manufactures from each country in 1953.

**Volume and value figures for USA.** Certain special category items were de-restricted during 1958. The figures for 1958 include these former special category items (\$0.05 billion per quarter in 1957) and are not therefore strictly comparable with previous periods. If these items are included in 1957 the volume of United States exports of manufactures in that year becomes 137 and the US share 25.7 per cent.

**Table 20. Commodity prices**

Sources : MDS, *FAO Monthly Bulletins*, *World Wool Digest*, *International Tea Committee*, *BTJ* and the press

**NIESR price index numbers.** For explanations see pages 32 to 35.

**Commodity prices.** With the exception of the index for softwood the commodity prices are the average of daily or weekly prices during the period. **Wheat :** No. 1 North Manitoba, in store Fort William. **Sugar :** f.o.b., Cuban ports. **Tea :** Colombo high grown auction, excluding export duties. **Coffee :** Santos No. 4, New York. **Cocoa :** Accra, spot New York. **Rubber :** R.S.S. 1 spot London. **Jute :** Pakistan mill firsts, c.i.f. at Dundee. **Cotton :** US # in. middling spot, New York. **Wool :** Merino 64's and Crossbred 50's, equivalent clean c.i.f. UK of Commonwealth auction prices. **Copper and tin :** spot London Metal Exchange. **Lead and zinc :** current month, London Metal Exchange. **Softwood :** Board of Trade index for imported softwood.

**Table 21. Gold and foreign exchange reserves**

Sources : IFS brought up to date from the press.

The figures are those published by IFS as total gold and foreign exchange reserves with certain qualifications.

**United States.** Gold only.

**United Kingdom.** Gold and dollars only, plus convertible currencies from December 1958.

**France.** Gold and foreign exchange held by the Bank of France, and an IFS estimate of the holdings of the Exchange Stabilisation Fund.

**Australia.** Gold and foreign exchange held by the Commonwealth Bank. These are generally available more quickly than the total.

**India.** Gold and foreign exchange held by the Reserve Bank. These are generally available more quickly than the total.

**Pakistan.** Gold and foreign exchange held by the Issue Department of the State Bank.

**Malaya.** Gold and foreign exchange held by the Currency Board and commercial banks.

**Japan.** There is a break in the continuity of the figures : beginning April 1958 the coverage was reduced by the exclusion of Ministry of Finance holdings with commercial banks.

**Total industrial countries.** See definition on page 51.

**Total primary producing countries.** See definition on page 51. For Australia and India, total gold and foreign exchange reserves are included and not only those held by the Commonwealth and Reserve Banks respectively.

**Sterling area countries.** The countries are those shown separately in the table, plus Burma, Ceylon, Iceland and the Irish Republic.

**Oil producing countries.** These are Iran, Iraq and Venezuela.